



FINANCIAL TIMES

No. 27,544

Wednesday April 26 1978

** 15p



COLUMN

k flies

NEWS SUMMARY

BUSINESS

Gilts,
equities
drift; Gold
\$4 off

• WALL STREET closed 7.53 up at \$33.59 after the second heaviest trading day on record.

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Africa said it had a Western plan to bring

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at Page 16

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Mr. John Fran-

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Page 10

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Premier was dead. Dr.

Waldheim, U.N. Secretary-

ial, appealed to the kid-

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re Sig. Oloro. Page 3

fly ...

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Minister said.

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Feature Page 29

EF PRICE CHANGES YESTERDAY

is in pence unless otherwise indicated.

RISSES

(Wm.) 169 + 11

on Clark 151 + 11

el Islands Cap. 490 + 35

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270 + 4

Excheq. 154% 1986 51021 - 1

Bellway 65 - 4

Lefranc. 146 - 14

Scottish & Univ. Inv. 118 - 3

Thomson Org. 237 - 11

all (J. & L.) 114 + 45

Royce 86 + 3

SELECTION TRUST 350 - 10

is in pence unless otherwise indicated.

FALLS

Treasury 51% 1980-82 241 - 1

BP 786 - 16

Castlefied 243 + 13

Gutfrie 257 + 5

Anglo United Dev. 130 + 14

De Beers Dfd. 340 + 12

Northgate Expln. 355 + 40

Westfield Minerals 83 - 10

is in pence unless otherwise indicated.

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Wednesday April 26 1978

** 15p

Forces promised pay parity with civilians by 1980

BY MICHAEL DONNE, DEFENCE CORRESPONDENT

The pay for all members of the Armed Forces will be raised by about 14 per cent. from April 1 this year as part of an overall plan to restore their pay to levels comparable with those in civilian life by April 1, 1980.

This decision, announced in the Commons yesterday by Mr. James Callaghan, stems from Government acceptance of the report from the Armed Forces Pay Review Body, also published yesterday.

The forces will get an immediate rise of 10 per cent. in the current "military salary," with another 3 per cent. adjustment in the "X-factor"—a special allowance that takes account of the hazards of a serviceman's

work.

Another 1 per cent. will come from further rises for special duties and from the effect of a standstill in charges for accommodation, pending a study of the review by the review body.

The extra pay for forces in Northern Ireland will rise by 50p to £1 a day. Food charges will rise by £1.33 a week (19p a day), from £8.51 to £8.64 a week.

The net effect of all these changes in 1978-79 is estimated to be an addition of about £200m. on the forces' overall bill for pay and allowances of about £1.5bn. a year. The rises were described by Mr. Callaghan as "quite substantial sums" that "should not be sneezed at."

Mr. Callaghan said that he had accepted the contention of the review body that pay rises of between 18 per cent. and 38 per cent.

cent., according to rank and length of service, or an average of about 32 per cent., would be needed to restore Services' pay to levels comparable with those in civilian life.

The Government had accepted that this restoration to full comparability should be undertaken, with a target date for achievement of April 1, 1980.

This would involve two further pay rises, of approximately equal amounts, on April 1 next year and in 1980. "The Government gives a firm commitment to that

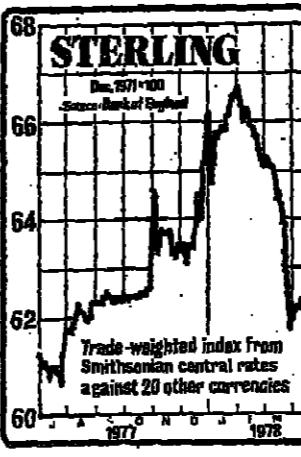
between us and the Services," said Mr. Callaghan, "and we shall restore comparability and we shall restore it more quickly."

For the Liberals, Mr. Emlyn

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Jobless total falls again: vacancies rise

BY DAVID FREUD

By Peter Riddell,

Economics Correspondent

Sterling fell sharply

EUROPEAN NEWS

BIS president warns on currency disorder

BY CHARLES BATCHELOR

THIS YEAR could be "crucial" for solving the problems of the world currency markets, Dr. Jelle Zijlstra, President of the Dutch Central Bank, and also of the Bank for International Settlements.

Settlements warned to-day. Unstable currencies inevitably encourage latent protectionist tendencies, he said in the Bank's annual report.

He urged the U.S. authorities to finance part of their current account balance of payments deficit by issuing medium-term loans denominated in the currencies of the other industrialised countries.

Putting this form of external financing into practice would not be simple, but the difficulties could be overcome in consultation with the potential creditor countries, he said.

Good progress has been made towards solving the problems of the world currency markets, Dr. Jelle Zijlstra, President of the Dutch Central Bank, and also of the Bank for International Settlements.

This is more complex than the relatively simple structure existing before 1974, when the developed countries financed the less-developed countries with their surpluses.

Now the industrialised countries, defined by Dr. Zijlstra as the Group of 10 and Switzerland, are split into two groups. The U.S. is now running a large deficit, while the remaining countries have a substantial surplus — estimated at \$14bn. in 1978.

The industrialised countries are still in a position to finance the deficits of the traditional

deficit countries, provided enough holders of dollars can be found. The sharp fall of the dollar those against the Deutsche mark, threatens to be so strong as to slow down the growth of the corresponding countries. These cannot then expand without unacceptable risks of an increase in inflation.

Central banks have become holders of dollars reluctantly taking over from the usual private holders, in order to maintain the dollar's value against other currencies. This new disturbing factor is without doubt a break on the development of the world economy, Dr. Zijlstra said.

Mistrust of the dollar and the fall in its value have created a vicious circle which has pushed it lower in recent months. The volume of dollars is so large that the currencies which act as an alternative for investors are not sufficient to restore the

balance of the market. Further appreciation of the Swiss franc, the guilders and the Yen shows that this is no longer the case.

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The U.S. authorities could cut oil imports and reduce their payments deficit but this would take time. A slowing-down of economic growth in the U.S. is in no-one's interest according to Dr. Zijlstra. The U.S. is now belatedly taking steps to solve its problems, although a co-ordinated programme would have been more effective.

It has increased its intervention on the foreign exchanges and committed its reserves in the form of gold, Special Drawing Rights and ordinary drawing rights. As a final measure Dr. Zijlstra said.

Despite this, if Holland could re-establish an improvement in company profitability it would be going in the right direction. To achieve this, the share of taxes and social security premiums in the national income must be held steady. Dr. Zijlstra said.

AMSTERDAM, April 25.

Orlov appeals for charges to be dropped

By Our Own Correspondent

MOSCOW, April 25. DR. YURI ORLOV, the imprisoned Soviet dissident, and his lawyer, have appealed to Soviet authorities to dismiss the charges of anti-Soviet agitation against him, according to Dr. Andrei Sakharov, a winner of the Nobel peace prize.

Dr. Orlov said that Dr. Orlov's lawyer, Mr. Y. Shulman, took the unusual step of appealing himself because he believed there was a lack of evidence. Dr. Orlov, leader of the "Helsinki" human rights group, has been held incommunicado since his arrest 14 months ago at Moscow's Lefortovo KGB investigative prison.

Mr. Shulman yesterday finished reading the prosecution case to Dr. Orlov, according to Dr. Sakharov. This may mean that a trial is imminent. Mr. Yelena Resnikova, the lawyer for another Helsinki group member, Mr. Alexander Ginzburg, was to complete reading the prosecution case to him on Saturday, Dr. Sakharov said.

Spain to build major Canaries naval base

BY ROBERT GRAHAM

SPAIN IS to go ahead with the former colony construction of a major new naval base in the Canary Islands later this year, according to Sr. Adolfo Suarez, the Prime Minister of an independent State in the former Spanish Sahara, and instead has sided with Morocco and Mauritania.

There is concern over the implications a potential Polisario victory might have on moves within the Canaries for independence.

The Canaries independence movement, MPAIAC, has in recent months increased the number of terrorist attacks in the archipelago, especially against targets connected with tourism, one of the main sources of income for the islands' generally depressed economy.

The Government has also shown itself extremely sensitive to efforts by MPAIAC, orchestrated from Algiers, to have the Organisation of African Unity declare the Canaries to be African and accept MPAIAC as an African Liberation Movement.



This has prompted two diplomatic missions to friendly African states within the last month.

The Suárez visit itself appears

primarily designed to make the Canaries feel that the Government cares about their interests.

As a further symbol of Govern-

ment concern, Sr. Suárez has also announced that the Interior Minister, Sr. Rodolfo Martin Villa, will be president of the Canaries Regional Council.

These domestic reasons for the Government's focusing attention on the Canaries have not dispelled a widespread feeling, especially among the opposition parties, that NATO is interested in the strategic development of the archipelago — and that it could be one of the most valuable strategic assets Spain could offer NATO.

The Canaries provide a useful potential base for controlling the shipping route round the Cape and are well placed to monitor west Africa.

The Americans deny that they have any major strategic military installations there at present, although some radar monitoring and reconnaissance is believed to take place. The Polisario meanwhile claims that the basic conclusion is gloomy: that European steel exports will never again reach past levels, because of non-European competition, and that the EEC may now, like the U.K. in the early 1960s, be approaching a position where it is no longer a net steel exporter.

From this there follows a series of even gloomier implications for Belgium and Luxembourg. First, the narrowness of their tiny market, which means that more than 80 per cent of production has to be exported, makes it highly vulnerable to other European steelmakers summing up their marketing effort inwards. The EEC guidelines prices introduced last year to help internal prices off the floor makes less difference to the Belgians and Luxembourgers since they depend more on exports outside the European Community than others.

Second, Belgians and Luxembourgers have to pay a "prime de penetration," in other words, sell 37 per cent below other European producers to get into other EEC markets. On top of that, the Belgian steel industry and, to a less extent, that of Luxembourg has about the highest wages, electricity and coal costs in the EEC. Productivity (212 tonnes per worker in 1976) is good, but not good enough to compensate.

To this must be added a product mix that is not attractive — roughly 40 per cent in so-called "long" products which are low in added value, easily imitable by any emergent Third World steel mill, and in surplus at present. Belgo-Luxembourg

BELGIAN STEEL INDUSTRY

Painful prescription

BY DAVID SUCHAN IN BRUSSELS

IS THE TINDEMANS Government trying to buy up parts of the Belgian steel industry on the production side? It could be one result of the scheme which Mr. Willy Claes, Socialist Affairs Minister, is trying to get the companies, their financial backers and unions to accept prior to a "round table" steel conference in mid-May. The idea is that the state might accept shares in payment of interest on nearly Belgian Frs 30bn. (\$490m.) which it has on loan to the industry — and, it should be added, that big private shareholders might do the same. Much would turn on the valuation of the shares, but they are presently quoted on the stock market at "bargain" prices.

The aim, however, of the non-socialist doctrinaire Mr. Claes seems to be no more Machiavellian than to remove some of the oppressive burden of debt servicing from the sick Belgian steel sector, without actually adding to the state budget. Belgo-Luxembourg has a virtually non-existent public sector in industry, and the moderate Conservative-Socialist coalition government seems to want to keep it that way.

At stake is the future of the Belgian steel industry, together with Luxembourg which is the world's ninth largest producer, the second largest exporter, and 1.6 tonnes of steel for every inhabitant of the two countries, is the biggest per capita producer. But since 1973 it has lost an average 2.1% a year. Its indebtedness has doubled, and it has shed some 90,000 jobs in the last 18 months.

The Government's starting point is a confidential report for over a year McKinsey has been labouring on the future of the Belgian steel sector and, at the request of the Luxembourg Government, on that of the Grand Duchy, too. Their basic conclusion is gloomy: that European steel exports will never again reach past levels, because of non-European competition, and that the EEC may now, like the U.K. in the early 1960s, be approaching a position where it is no longer a net steel exporter.

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Industrial production rises 5.5% in USSR

By David Satter

MOSCOW, April 25. SOVIET INDUSTRIAL production rose 5.5 per cent during the first quarter of 1978, to meet even over the modest 4.5 per cent growth target set in the plan but still below the pace of last year when industrial output rose 5.7 per cent.

According to figures released today by the Soviet Central Statistical Board, more than three quarters of the growth in industrial output was attributable to a 4.1 per cent rise in the productivity of labour.

The Soviet news agency Tass said that all Soviet ministries and republics fulfilled their quarterly plan targets and said "particularly rapid development" was achieved in the chemical and petrochemical industry and the engineering and metal processing industry.

Figures for Soviet energy production show that oil, gas and coal production continue to expand but at slower rates than in 1977. Oil production (including gas condensate) came to 13.8m. tonnes during the first quarter of 1978, a 4 per cent increase over the first quarter of 1977.

This rate of increase fell short, however, of the 5 per cent oil-in-production for the whole of 1977 compared to 1976 which was itself the lowest annual percentage increase since 1970 and could indicate that Soviet oil production will reach a peak in the 1980s as was predicted in a published C.I.A. study.

Soviet gas production in the first quarter totalled 93bn. cubic metres, a 7 per cent increase over the first quarter of 1977 but, once again, below the 1977 rate of increase over 1976. Coal production totalled 180m. tonnes, a 0.8 per cent increase over the first quarter of 1977, but well short of the 1977 rate of increase over 1976 which was 2 per cent.

Financial Times Wednesday April 26 1978

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Notice to the Debenture Holders of Northern Rock Building Society, dated April 21, 1978.

The Debenture Holders will receive a dividend of £1.00 per £100 of debentures held on April 21, 1978.

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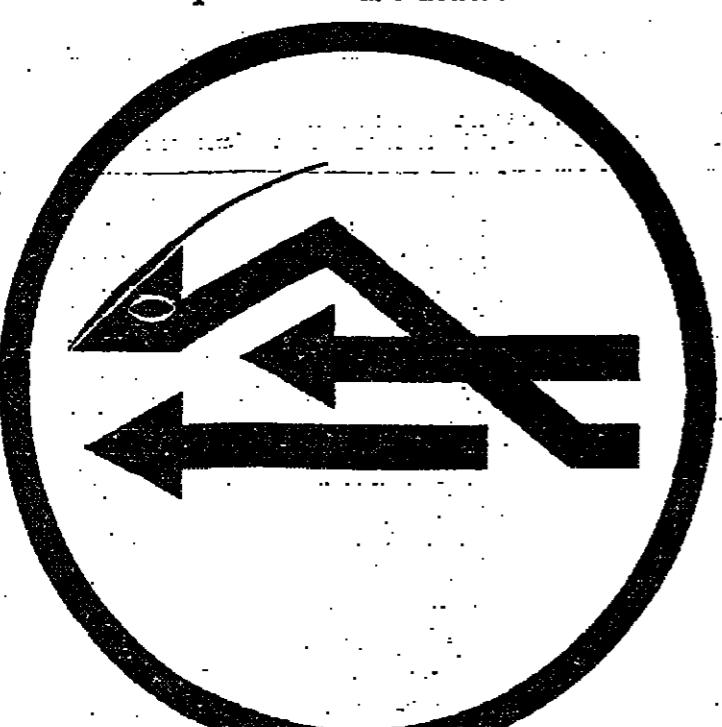
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AMERICAN NEWS

Laying to rest a redundant nuclear reactor

By William Scobie
in Los Angeles

WHILE ANGUISHED debate over the future of nuclear power drags on in the Californian legislature, during an election year with energy the hottest of issues, workers in the bare Santa Susana mountains near Los Angeles are engaged in a unique piece of nuclear demolition. They are slicing up one of the earlier nuclear reactors and taking it ton by ton, to a burial ground in the Nevada desert.

The operation, now drawing to a close, has taken more than a year and cost taxpayers some \$6m. The original reactor, called the Sodium Reactor Experiment (SRE), took two years and \$12m. to build in the 1950s. After seven years of research it was "decommissioned" and remained shut down until demolition began last year.

Officials of the Nuclear Regulatory Commission (NRC), the U.S. Government's licensing authority in Washington, see the work at Santa Susana as something of a test case. No long-term plan exists for the disposal of worked-out reactors. But the U.S. probably has several dozen experimental or prototype reactors no longer in use, while the earliest of the big power reactors will be near the end of their life by the end of the century.

It is the hope of NRC officials that the painstaking demolition of the radio-active reactor containment and "internals" at Santa Susana will help demonstrate to the politicians that defunct reactors can be disposed of safely and satisfactorily. Until now such reactors have been either simply left off and placed under guard, or sealed in concrete and sometimes buried under man-made hills.

The idea of hundreds of radioactive "graves" has alarmed many people, especially in earthquake-prone California. But the spent nuclear fuel, the most highly radioactive part of a reactor, is always removed before it is decommissioned. The internal steelwork, especially remains radioactive for many years after that.

Congressman Leo Ryan, a California Democrat, calls the prospect "totally unacceptable politically". Rep. Ryan, who chairs the House Environment and Energy Sub-committee, has just completed a 104-page study of the whole field of nuclear-energy research, unlikely to please the nuclear industry. It cites what it calls the "main problem" of disposing of the 3,000 tons of spent nuclear fuel already stored at commercial-reactor sites in the U.S.: a non-explosion in rise to 20,000 tons during the next decade. Although it is government policy to store and not reprocess this fuel, "no demonstrated technology exists for disposal of these wastes," the report says, "and the costs of so doing are still unknown."

Other studies indicate that radioactive isotopes formerly believed to decay in a few hundred years will in fact remain dangerous for much longer.

Other politicians have begun to attack the NRC for not yet deciding what to do with old reactors. Hence the keen interest in the Santa Susana project, for which the Federal Government is paying. First, a full-scale facsimile of the reactor was constructed near by, on which they could practice. Bit by bit it was sliced into small pieces using remotely controlled machines. Then work began on the reactor itself, a site-shaped structure 30 feet high, buried beneath the ground.

The reactor is surrounded by walls of steel and concrete - 8 feet thick. The reactor vessel has been filled with water to help shield the demolition team from its radioactivity as they manipulate their remote-controlled flamecutters at the end of a long steel arm. All workers wear protective clothing. At 8.30, they leave the working area as a crane lifts the 4-foot square vessel from the water and transfers it to a storage pond, in readiness for shipment. When the job is finished and the crane and all other machinery used will also be chopped up and buried along with some 350 tons of radioactive refuse, at an isolated Nevada desert site. The 18,000 gallons of water used as shielding will be evaporated and the residue buried as well.

Atomics International, the nuclear engineering company which has the demolition contract, claims that its progress in recent months shows that reactors can be demolished safely.

Governor Jerry Brown of California is steadily hardening his opposition to nuclear energy. In 1976 he warmly approved a law prohibiting construction of more nuclear plants until a federally-recognised system of waste disposal for their spent fuel had been worked out. In Nevada and New Mexico, states chosen to provide the nuclear burial grounds, protest is growing. A bill introduced into Congress by New Mexico's Senator Pete Domenici this month would give all states a power to veto the disposal of nuclear waste on their territory. "We must be assured that these materials will never endanger human health and the environment," he says.

Such an assurance is obviously difficult to give - as it would be for any other technology. But since California passed its law insisting on "proven" waste technology, eight states have approved similar measures, while a further eight have such bills in progress.

Fed sticks to monetary targets

BY DAVID BELL

MR. WILLIAM MILLER, the chairman of the U.S. Federal Reserve Board, confirmed to-day that the Fed has moved within the past few days to "keep monetary growth within reasonable bounds over the long run."

As a result, he said in testimony before the Senate Banking Committee, "the money market has tightened a bit over the past few days." But the Fed was not proposing to change its monetary growth range targets for the year ending with the first quarter of 1978 and they would remain the same as those for the year ending with the fourth quarter of this year.

In a sombre review of the state of the U.S. economy, Mr. Miller said that, while the immediate prospects for economic activity remained "favourable," the economy was still confronting serious problems, of which inflation is undoubtedly the most troubling.

The chairman said that "cost pressure remains strong" and noted that wages in the private

sector rose last year by almost 9 per cent., compared with an increase in productivity of only 2.5 per cent. The 1978 first-quarter productivity figures, announced to-day, which show a 3.5 per cent. drop, serve only to underline Mr. Miller's contention to-day that "there is little likelihood of a sustained pick-up in productivity growth . . . (and) rising unit labour costs can be expected to continue to exert considerable upward pressure on prices."

Mr. Miller welcomed the President's recent anti-inflation speech and also the recent flattening of the dollar in foreign exchange markets. He said that the Fed would "play its part in supporting the President's initiative by exercising appropriate restraint in the provision of bank reserves, credit and money."

But the Fed could not act alone, and it was important that the brakes be not applied too hard, even if "heightened inflationary expectations" were now beginning to play their own part in pushing up prices and long-term bond and other interest rates. "The pace of deceleration of the money supply can not proceed much more rapidly than the pace at which built-in inflationary pressures are wrung out of the economy, if satisfactory economic growth is to be maintained," he said.

Reviewing the behaviour of the money supply in the past months, Mr. Miller noted that borrowers were having difficulty in raising funds at current interest rate levels, even if they were higher than those of a year ago. Indeed, these rates, set by the Federal Open Market Committee which meets every six weeks, are now lower than the lower limits of the ranges, he said.

The Fed does not expect this picture to change materially over the next 12 months and has thus specified a target for the three money supply measurements, forecasting the monetary growth rates. Much depended on the next 12 months and has thus followed M-1, the narrow measure of money and the velocity of money and the behaviour of M-2 and M-3 would affect the ability of institutions to attract funds in pushing up prices and long-term deposit rates.

Finally, Mr. Miller underlined the uncertainties inherent in the positions of the American side.

Mr. Brezhnev said that the Soviet Union will do everything it can to facilitate agreement on troop reductions and said that the Soviet Union has not been enlarging its forces in Europe and does not intend increase them "by single soldier, by a single tank."

Mr. Brezhnev concluded his speech, by calling for a half-yearly review of the East-West disengagement of the force reduction and the drawdown of armaments, or arms of states with large military potentials, and by advocating negotiations to halt the manufacture of nuclear weapons and the development of high-technology conventional arms.

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U.S.-SOVIET ARMS LIMITATIONS

USSR 'will not make neutron bomb'

MOSCOW, April 25

BY DAVID SATTER

MR. LEONID BREZHNEV, the Soviet President, to-day described President Carter's decision to defer neutron bomb production as a "half-measure," but said that it has been "taken into account" and that the Soviet Union will not produce neutron weapons as long as the United States refrains from doing so.

Speaking at the 18th Congress of the Soviet Komsomol, the Communist Youth Organisation, Mr. Brezhnev also expressed confidence that "by reciprocal efforts" based on "compromise" it will be possible for the U.S. and the Soviet Union to reach a new strategic arms limitation (SALT) agreement.

Mr. Brezhnev said that the Soviet Union, along with "other peaceful forces" is taking active steps to promote a ban on

neutron weapons production by round. Mr. Brezhnev said that either the U.S. or the USSR, but some progress was achieved during the visit of Mr. Cyrus Vance, the U.S. Secretary of State, the Soviet Union would also defer SALT, but cautioned that "we can by no means accept certain production of the weapon." He said that further developments depend on Washington.

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In all, Mr. Brezhnev's review of the East-West disengagement of the force reduction and the drawdown of armaments, or arms of states with large military potentials, and by advocating negotiations to halt the manufacture of nuclear weapons and the development of high-technology conventional arms.

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Bell Canada accused of Arab boycott compliance

BY VICTOR MACKIE

A RECENT \$1.bn. agreement between Bell Canada and Saudi Arabia will be examined to see whether it discriminates against Jews, the Prime Minister, Mr. Pierre Trudeau, has told Parliament.

He informed Liberal MP Hert Gray that he had asked his officials to look into the matter last week and hopes to provide answers soon. Mr. Gray claimed the contract includes a statement by Bell Canada that neither it nor any of its subsidiaries has commercial dealings with Israel.

Mr. Gray said that if this was a condition of the deal, it would mean Bell Canada was complying with the Arab boycott of Israel. He also claimed that the Canadian Government was implicated by providing both financial and administrative support of Bell Canada.

The Canada Export Development Corporation, a Crown corporation announced last week that it would insure up to 90 per cent. of Bell's risk in the deal, which involves a contract by Bell Canada's subsidiary, Bell Canada International, to provide some 500 experts to train Saudi

Arabians in the operation of a modern telephone system.

In a letter last week to Mr. Gordon Fairweather, Commissioner of the Canadian Human Rights Commission, Mr. Gray

OTTAWA, April 25.

we are not at this time involved in any direct business relations with Israel."

Asked whether he did not feel uncomfortable signing such a requirement, Mr. Thackray replied: "No, and it does not restrict us in any way with whom we do business here or anywhere else."

John Lloyd writes: Ericsson of Sweden and Philips of Holland, which are the two other major companies involved in the contract, said yesterday that they, too, had assured the Saudis that they had no dealings with Israel.

A spokesman for Philips said that the company had never dealt with Israel. Asked if the contract—worth over \$500m. to visible exports to Arab countries in 1977 totalled \$2.7bn. and said Arab states could turn to other trading partners.

Ericsson also said that the company had never had links with Israel. Because of its long-standing policy of dealing with the Arab world, it had been careful to avoid business dealings with Israel. Ericsson's share of the contract is also worth more than \$500m.

Tanker pool 'to start this year'

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

A POOLING SCHEME for large oil tankers designed to raise freight rates from their present rock-bottom levels has now attracted three-quarters of the tonnage it needs.

Mr. Niels Werring, president of the Norwegian Shipowners' Association, said in London yesterday that the scheme, known as International Tanker Services, would be in operation by late summer.

The idea, which originated among hard-pressed Scandinavian owners, is to float a new company probably based in the Netherlands, which will charter very large crude carriers over 200,000 d.w.t. trading on the spot market and only release them to the oil companies about clearing the scheme with the United States authorities on anti-trust grounds. Mr. Werring said he now believed the scheme would be effective.

April 1978. Assets now exceed £1000 million.

April 1976. Assets exceed £740 million.

April 1974. Assets exceed £530 million.



West's protectionism is 'crippling' less developed countries

BY DAVID HOUSEGO

Governments of the Asian and Pacific region expressed their concern here to-day over the industrialised nations. They "crippled" effects on their economies of the allegedly protectionist policies of the West.

Asked whether he did not feel uncomfortable signing such a requirement, Mr. Thackray replied: "No, and it does not restrict us in any way with whom we do business here or anywhere else."

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Car parts drive in Japan

BY TERRY DODSWORTH

BRITISH MOTOR component manufacturers will make another attempt to increase exports to Japan next month during a two-week trade mission.

The 18-man mission, the eighth organised by the Society of Motor Manufacturers and Traders in nine years, follows the month-long investigation of the British parts and accessories industry by a Japanese trade delegation last year.

Although some of the Far East letters of intent contain caveats about clearing the scheme with the United States authorities on anti-trust grounds, Mr. Werring said he now believed the scheme would be effective.

Since then, UK motor industry sales to Europe increased only slowly, to an estimated £30m. last year against £24.5m. in 1976. But British companies hold out hopes of a steady improvement if the sales pressure is maintained.

Only last month a three-man delegation from the SMMT met officials from the Japanese component buying offices recently established in Europe to discuss problems the Japanese might be encountering in building up their businesses in Britain.

Toyota, Nissan, Honda and Mitsubishi have all established facilities for buying in Europe with in the last few months.

Among the companies visiting Japan will be Condura Fabrics, Girling, Howorth and Grindage, the Mill Accessory and TI Transport Equipment.

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Civil Service recruits hard to find

BY DAVID CHURCHILL

THE CIVIL SERVICE disclosed recruitment is exceeded by wastage yesterday that it is facing severe difficulties in filling executive and specialist jobs.

In particular, the shortfall is apparent among medical, accountancy, and computer jobs, says the annual report of the Civil Service Commission.

Although no reason is given for the lack of right quality applicants, the Society of Civil and Public Servants, which represents managerial staff, last night blamed it on the low salaries for executive civil servants when compared with the private sector.

The commission's report says that recruitment at junior levels last year "continued to be generally buoyant." The Civil Service is usually able to fill these posts without trouble during times of high unemployment in the economy.

But filling vacancies for senior and specialist staff "presented a problem which loomed larger as the year wore on."

Unfilled

The report highlighted the difficulties in filling professional posts. More than one-third of the 53 vacancies for accountants dates to be filled until, at salaries ranging from about £2,000 to £7,000.

The Civil Service also failed to attract enough medical staff at salaries ranging from about £5,000 to over £10,000. The shortage of recruits as veterinary officers is now serious, as Annual Report 1977, SO.

Leyland to double Land Rover output

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

LEYLAND CARS is spending the first £25m. of the £250m. programme to double output of Land Rover/Ranger Rover models, even before the project has been approved by the British Leyland Board.

Mr. Michael Edwards, the chairman, has authorised the investment to prevent any delay in a venture seen as central to any Leyland recovery. The money will be committed to ensuring a rapid build-up of production.

The company is conscious of the need to move quickly to retain its 15 per cent share of an increasingly competitive international market. Mr. Edwards has made it clear that he will not seek approval from his Board until the work force has given a prior commitment.

The important question is whether Mr. Edwards will take a hard line and make the go-ahead conditional on members of the worker-participation machinery. The Transport and General Workers' Union, at the Rover assembly plant has been adamant in its refusal to join.

Mr. Edwards will have to decide whether to compromise with such feelings and run the S.U. Bute.

New factories will bring jobs to Ebbw Vale

BY ROBIN REEVES, WELSH CORRESPONDENT

GOVERNMENT approval for the building of 45 advanced factories in the Blaenau Gwent district was announced yesterday by Mr. John Morris, the Secretary of State for Wales, as part of the drive to replace jobs being lost by the ending of steel making at Ebbw Vale.

The factories, to be built by the Welsh Development Agency, at a total cost of £7m., form the main item in the Government's £15m. special aid package for the Ebbw Vale area, announced this month.

The package followed the agreement between the British Steel Corporation and the unions to end steel-making at the Ebbw Vale works, with the loss of nearly 2,000 jobs.

The factories will range from 1,500 square feet to 50,000 square feet, with particular emphasis on units of 5,000 square feet, 10,000 square feet and 50,000 square feet.

Rough gems surcharge likely to be imposed

BY PAUL CHEESEWRIGHT IN ANTWERP

ROUGH GEM diamonds coming on to the international market at a London sale starting next Tuesday are likely to be subject to a surcharge of between 25 and 30 per cent. on the list price, according to Antwerp diamond merchants.

The sale is one of 10 held every year for about 300 selected clients by the De Beers Central Selling Organisation, which dominates the world marketing of rough diamonds.

The surcharge is part of a policy adopted to damp down an overheated market. At the last sale, earlier this month, the imposition was 40 per cent.

De Beers has stated that the level of the surcharge, or indeed the decision to impose it at all, depends on market conditions before each sale.

Motor HP restrictions 'should be removed'

By Terry Dodsworth, Motor Industry Correspondent

MR. JIM CAMPBELL, new president of the Motor Agents' Association, called yesterday for the removal of hire purchase restrictions on second-hand car sales.

Mr. Campbell, who is also chairman of Mann Egerton, the British Leyland distributor, argues that current HP regulations are holding back the U.K. market at present, and that a further boost is necessary if the present buoyant sales conditions are to be maintained beyond the summer.

He also believes that private buyers, who are the main customers for second-hand cars, are receiving a less favourable deal from the present tax structure in Britain, which is effectively providing cheap motoring to company car purchasers and corporate customers able to take advantage of leasing contracts.

The MAA's pressure to ease second-hand credit restrictions is not at present being supported by the Society of Motor Manufacturers and Traders, the industry association for the car producer companies.

This appears to be mainly because of British Leyland's fears that any improvement in credit facilities would increase demand and suck in more imports.

HP restrictions currently stand at 33½ per cent. deposit with a 24-month repayment period.

Underspending cut 'likely this year'

BY DAVID FREUD

THE UNDERSPENDING against Government cash limits in the past two financial years is likely to be reduced in the current year. Sir Anthony Rawlinson, Second Permanent Secretary of the Treasury, said yesterday.

He told the Commons' Public Accounts Committee that departments were growing used to the system, that the Treasury was encouraging fatter estimates and greater use would be made of the monitoring figures.

These three factors would help eliminate the shortfall, though he stressed that cash limits were not the only reason for underspending.

Mr. Edward du Cann, chairman of the committee, welcomed the Treasury's proposals for merging cash limits with the traditional Parliamentary estimates and accounts.

He said that if, as the Treasury stated, the merging would bring increased financial precision, greater Parliamentary control and less work for leading civil servants, the move would be very welcome. His "instinct" was to put the arrangements into effect immediately.

Sir Anthony said there was no simple explanation of the underspending, and the Treasury did not pretend to understand it completely. A number of factors were involved, including some overestimation and some under-performance.

Three factors would reduce the shortfall in spending in the current financial year. First, many departments were now aware of what had happened.

Second, the Treasury had encouraged fatter estimates; third, the arrangements for obtaining the monitoring figures were working quite well. There was still "quite a long way to go in making use of them in finding out what they mean in terms of plans as a whole."

Sir Anthony agreed with Mr. du Cann that cash limits had helped control expenditure. There was only one qualification.

Added to the two original sets of estimates—the survey prices of the annual expenditure White Paper and the Spring estimates with their later supplements—cash limits introduced in 1976-1977 complicated managerial control further.

Referring to the Treasury proposal of merging the Spring estimates into the cash limits, which take account of inflation through the year, he said: "I think that to reduce two of those sets of figures into one is a highly desirable managerial objective which should further strengthen the benefits which have been obtained from the introduction of cash limits."

If the proposals found favour and were approved rapidly, Sir Anthony said, a start could be made to the changeover in the next financial year. It would not be possible to complete the operation by then.

Shell executive chosen as NEDO's new chief

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A SENIOR executive of the Royal Dutch Shell Group with considerable experience in international affairs has been appointed as the new director general of the National Economic Development Office at a salary of slightly less than £19,000 a year.

He is Mr. Geoffrey Chandler, aged 55, and his main task when he takes up his new job in June will be to try to build credibility for the Government's industrial strategy and communicate its ideas for individual industries down to management and shop floor workers.

Mr. Chandler is now public affairs co-ordinator at Shell, where he is a director of the group's main U.K. and Dutch companies. He joined Shell in 1966 after working as a journalist on The Financial Times and the BBC foreign news service. He will be taking a cut in salary on leaving Shell.

The announcement ends an eight-month hunt for someone to fill the post and both the Prime Minister and the TUC were specially keen to choose a man from an industrial background. The last two directors general—Sir Frank Figgures and Sir Ronald McIntosh—were former civil servants.

The appointment was welcomed last night by leaders of both sides of industry, including the president of the CBI, Mr. John Greenborough, who, as managing director of Shell U.K.,

main experience of the NEDO tripartite sort of operation, involving the Government and both sides of industry, was when he was managing director of Shell Trinidad for five years from 1964 when tripartite Government was being developed.

He believed in "leading by example and running things by consent" and intended to approach the work to begin with like a tram: "First I'll stay on fixed tracks; then I'll be more flexible like a trolleybus; and when I have felt my way I shall develop in the manner of bus."

He said of the National Economic Development Council, which runs the Office: "It is a place where the three crucial parts of the economy meet in a manner which may not happen elsewhere."

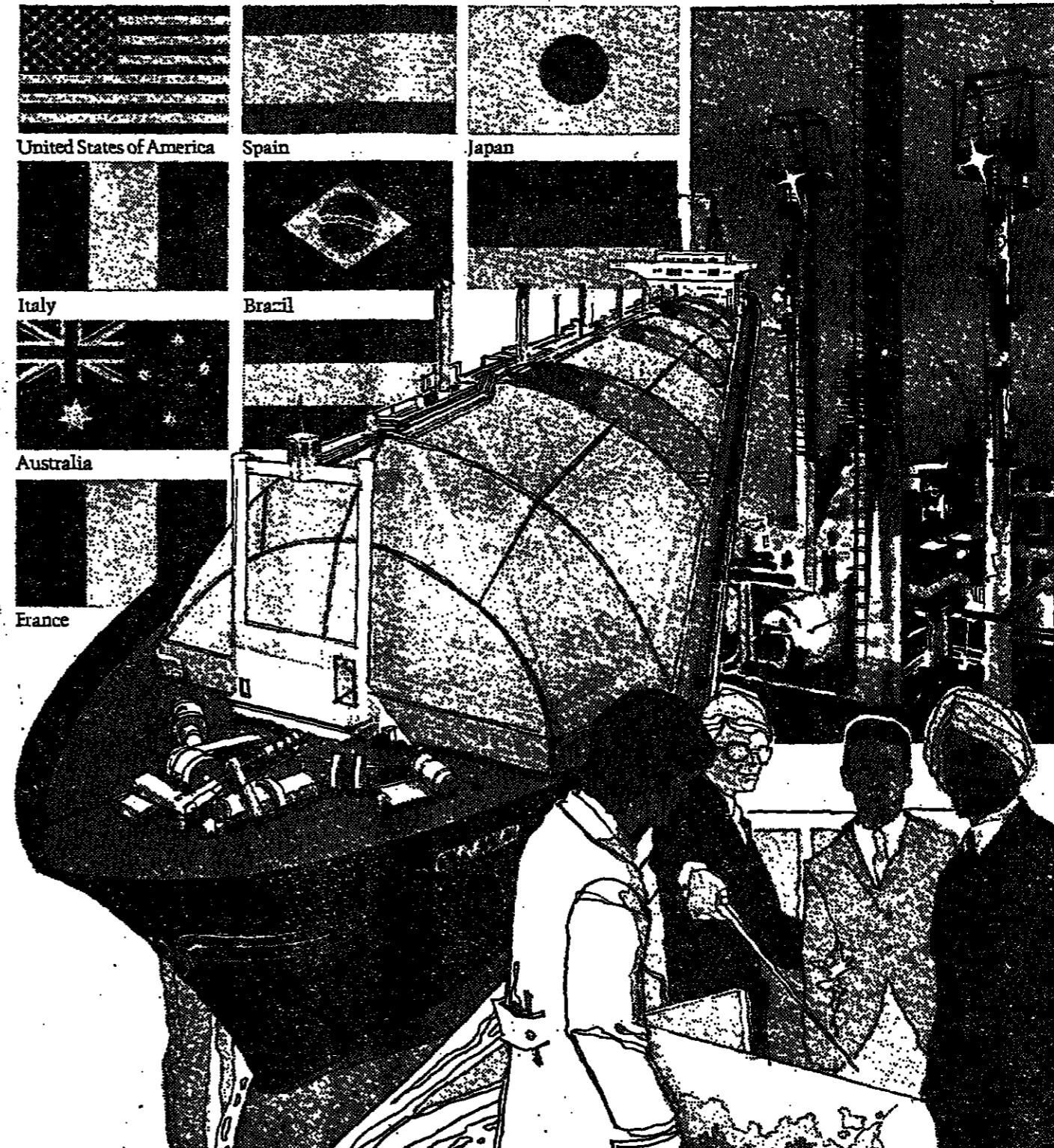
"This does not lead me to have fears about a corporatism because I believe that there are sufficient other checks and balances in society."

Mr. Chandler served during the war in Egypt and in Germany occupied Greece. After the war he read history at Cambridge.

During his time at Shell he was president of the Institute of Petroleum from 1972-74.

The hunt for a new director general started last summer when Sir Ronald McIntosh, who had been director general for 4½ years, told the Prime Minister he wished to resign.

GASGETS ON WITH IT-



SELLING KNOW-HOW TO THE WORLD.

British Gas leads the world in gas technology. Our know-how is in demand all over the world. This not only earns Britain valuable foreign exchange, but provides new export opportunities for British manufacturing industry. And British Gas earned some £8 million from its various consultancy services in 1976/7.

Conversion.

British Gas carried out the largest natural gas conversion programme ever undertaken—anywhere in the world. And completed it in record time. So it is not surprising that other countries converting to natural gas are turning to us for advice.

LNG Experience.

Most of the large new liquid methane carriers built in the western hemisphere have used the British Gas Canvey Methane Terminal facilities for initial cooldown and test procedures prior to commissioning. This is because of the long-standing experience of British Gas in the operation of marine terminal, LNG handling and safety

procedures. Training has been carried out for other gas undertakings in the course of constructing their own LNG facilities.

Pipeline Welding.

British Gas has provided expert assistance to the Pipelines Authority of Australia in radiography and weld-fault detection on the Moomba to Sydney pipeline. We are frequently called upon to provide assistance in this area of technology and also provide training for staff from other countries.

Gas-Making Processes.

One of our most significant successes has been with processes developed initially for the manufacture of town gas from oil feedstocks and subsequently adapted to produce a fuel interchangeable with natural gas. This is the Catalytic Rich Gas process, which is widely used. 24 units of one version have already been installed in Brazil, Italy, Spain and Japan. And in the United States, 14 CRG process streams, with a combined production capacity of some 1,200 million cu. ft. a day (equivalent to a quarter of Britain's total daily gas output) are installed and operating successfully.

Looking to the Future.

And at Westfield, in Scotland, we have developed new technology to produce Substitute Natural Gas from the world's most abundant fossil fuel—coal.

The immediate need for this technology is in the U.S.A.—and American gas companies have shown their respect for British know-how by investing huge sums to fund our research. However, the long-term implications of this new technology are far-reaching for Britain and for the world.

That's what we mean when we say that "Gas gets on with it." And that's what we mean by "selling know-how to the world."



BRITISH GAS

Two BP Chemicals plants to close

BY KEVIN DONE, CHEMICALS CORRESPONDENT

BP CHEMICALS is closing two mouth was operated by Forte Chemicals, in which BP has a two-thirds stake. The other third is owned by Monsanto, the U.S. chemicals company.

It is suffering from the continuing stagnation of demand in the West European petrochemicals industry, and Mr. Len Burchell, BP Chemicals managing director, said yesterday that there was "little hope of any real improvement this year."

The company is shutting its methyl benzene and styrene plants at Grangemouth, Scotland. Last year, BP Chemicals made a profit of only £1m, compared with £36m. in 1976. Production increased marginally to just over 3m. tonnes, while the value of sales was 10 per cent up on 1976.

Mr. Burchell said yesterday that BP Chemicals was particularly vulnerable to the downturn in trading because of its great concentration in base petrochemicals.

"We do not have the protection of a sufficient diversity of chemical activities which will go on providing profits when other parts of our business are having a bad time."

The combination of chronic overcapacity in Europe and increasing exports from the U.S. Group, unless there is a reasonable expectation that BP Chemicals is going to start to pay its way," Mr. Burchell added.

"To a near-collapse of profits and consequently of profits and cash flow. Unfortunately this is not likely to be a short-term situation."

"The overcapacity problem is estimated to be with us until the mid-1980s, by which time we may have to face competition in our markets from imports of petro-

chemical products from OPEC countries."

BP Chemicals was considering diversification into other areas of the industry not affected by the factors which are depressing petrochemicals.

Mr. Burchell told employees that BP Chemicals must take action to reduce its particular vulnerability.

The company is trying to develop its position in specialty chemicals. It is understood that acquisitions may be considered, to broaden this base, especially in overseas markets, where BP Chemicals does not have a large manufacturing position.

What is at stake here is the very ability of our company to expand." At present BP Chemicals has £200m-worth of capital projects in progress.

"We cannot go on drawing cash at this rate from the BP Group, unless there is a reasonable expectation that BP Chemicals is going to start to pay its way," Mr. Burchell added.

"Our statement comes only days after Imperial Chemical Industries said that it would have to review its £800m capital sanctioning programme, unless profitability showed an early improvement."

A planning application will go before Staffordshire County Council soon.

New pit will employ 1,400

BY JOHN LLOYD

THE NATIONAL Coal Board is to spend more than £130m on the development of a new pit near Staffordshire.

The pit, to be called Park Colliery, will probably be built next to the village of Hopton. Workable reserves in the area are more than 100m. tons, with the possibility of further reserves being proved as the pit develops.

At an estimated annual production rate of 2m. tons a year, the pit is expected to last for the next 50 years. It will be fully operational within the next 10 years.

Most of the coal to be produced by Park Colliery will be for power stations, with a small amount for industrial use.

The colliery will employ 1,400 men, of whom about half are expected to be new recruits of the Treasury and Foreign Office, to get first-hand details of the U.S. companies offer in terms of work and costs.

The talks are not being regarded as negotiations. They are intended solely as fact-finding exercises to enable the U.K. Government to decide the direction the U.K. aerospace industry ought to take in future—either collaborating with the U.S. or with Western Europe.

McDonnell Douglas has proposed a programme on a wide range of programmes, civil and of commercial, rather than military, including work on the proposed Advanced Technology Medium-Range transport, which would also use Rolls-Royce

U.S. big three aircraft makers asked to talk

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE PRESIDENTS of Boeing, courtesy meetings with Lord Beswick and Sir Kenneth Keith, the U.K. in marketing the proposed British Aerospace HS-146 70-seat feeder-liner in the U.K. companies.

One reason for Mr. Varley's U.K. and eventual work on a industry Secretary, for private invitation is understood to be second-generation supersonic

that Lord Beswick has declined to discuss any collaborative

Lockheed, already a major offers with the U.S. industry, collaborator with the U.K. on while he is negotiating with the TriStar jet airliner, which European aerospace industry uses the RB-211 engine, has developing a possible joint offered collaboration on a new European Transport aircraft.

This has meant that the U.S. companies have had virtually no opportunity to spell out their cases for collaboration with the U.K.

In Whitehall, senior officials are understood to have felt that this was creating a serious gap in their knowledge, which needed to be filled before re-negotiations on the JET is being

Ministers, and then to the Cabinet committee studying the question of future aircraft pro-

grammes.

The U.K. Government, while recognising the political and economic factors underlying the aircraft programmes in Western Europe, is nevertheless

encouraged by Government to contribute more to employment elsewhere in Britain and abroad than they do for Scotland.

The results show that there is a high degree of leakage from the Scottish economy to other more prosperous parts of the country, and that many of the newer industries being encouraged by Government to

the Fraser of Allander Institute and the IBM U.K. scientific centre.

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Depressed areas fail to benefit fully from incentives
2,247 Permanent
Employment

LABOUR NEWS

Unions will see Leyland to-day on Speke closure

BY ALAN PIKE, LABOUR CORRESPONDENT

UNION LEADERS will meet said that the executive wanted British Leyland management to know the best possible redundancy terms which the company room for improvement in was prepared to offer.

Although the confederation is opposed to compulsory redundancy, the cautious view of the AUEW suggests that some union leaders believe that if the terms were improved they might be accepted by the 3,000 men who stand to lose their jobs.

Some of the confederation executive are likely to argue at to-morrow's meeting that the future success of British Leyland will not be achieved without the workers accepting some measure of rationalisation.

Car assembly at Leyland's Cowley plant was halted yesterday because of a strike by 250

delivery drivers in Oxford over the company's failure to re-employ a dismissed shop steward.

But the strike by foremen at the Rover plant at Solihull was called off yesterday at a meeting of the 340 men, members of the Association of Scientific, Technical and Managerial Staffs.

• Lucas Aerospace shop stewards claimed official union support yesterday for their campaign to oppose company reorganisation plans involving closure of the Liverpool plant, which employs 1,450 workers.

About 70 delegates from the 17 aerospace sites met in Birmingham and renewed their pledge to resist the transfer of equipment and labour. The meeting was convened by the Confederation of Shipbuilding and Engineering Unions.

Aerospace unions consider action

BY PAULINE CLARK, LABOUR STAFF

LEADERS of 5,000 key technicians and other white collar workers in British Aerospace space staff liaison committee warned yesterday of "a very real possibility" of action unless they achieve equal representation with TUC affiliated unions on industrial democracy.

Representatives of seven independent trade unions in the industry claimed that about half their membership was already committed to the principle of industrial action. Others are expected to follow suit if their demands for a place in the proposed industrial democracy system are ignored.

A meeting of the British Aerospace Board to-day is expected to consider a joint letter from the unions, expressing "strong disapproval" of a claim by the Confederation of Shipbuilding and Engineering Unions for exclusive rights of representation on factory councils.

APPOINTMENTS

Main Board post at De La Rue

Lord Charters of Amsfield has joined the Board of the DE LA RUE COMPANY.

* Mr Stanley Clarke, group chairman and managing director of Courier Press (Holdings), is to be nominated for election as president of the BRITISH PRINTING INDUSTRIES FEDERATION 1978-1979 at the annual meeting on May 20. Other nominations approved are Mr Peter McNeil, as senior vice-president; Mr John Wood, junior vice-president; and Lord Ebbalton, honorary treasurer.

* Colonel Guy German has been appointed honorary life president of KEELING AND WALKER and Mr Godfrey Bostock has been made chairman in his place. The company is a member of the Amalgamated Metal Corporation group.

* Mr Frank Dunphy, manager (trade development), is to be manager of the new MIDLAND BANK international division branch which opens at Hanover Square, W.I., on May 2.

* Mr T. H. Boyle and Mr D. A. Foote are retiring from the partnership of SIMON AND COATES stockbrokers, on April 28. Mr. Foote will remain as a consultant. Mr. F. C. Bennett has

joined the firm as an associate. The following associated members of W. S. Robertson, managing director of Redfern Telecommunications, succeeds Mr. Roberts as chairman of Crystal Electronics and joined on that Board by Mr. S. R. Pittin.

* Mr. T. M. Tagg has retired as advisor to BANK SEPAH IRAN and Mr. J. L. Warwick previously appointed adviser in London to THE FIRST NATIONAL BANK OF MARYLAND.

* Mr. Norman Spiers has been appointed to ROTORK as group executive with responsibility for all divisions. He has been succeeded by Mr. R. P. Bacon as chief executive, controls division.

* Mr. G. J. Burge takes over from Mr. Bacon as production director on the controls divisional Board. Mr. Jeremy Frt continues as group executive chairman.

* Mr. G. T. Spratt is to become secretary and Mr. J. D. Williams, assistant secretary, of the COMMERCIAL UNION ASSURANCE COMPANY from May 1. Mr. C. R. Harris relinquishes his position as secretary at the end of this month but will continue as an executive director.

* Mr. Douglas Stead has been appointed a director of UD ENGINEERING, a subsidiary of the Capper-Neill group.

* Mr. Andrew Thomson, managing director of AN and S Europe, has been elected chairman of the ZINC AND LEAD DEVELOPMENT ASSOCIATION, London, in succession to Mr. Keith Hendrickson.

* Mr. D. W. Roberts has resigned from REDFON TELECOMMUNICATIONS, of Noranda Mines Canada, Hendrickson and Mr. T. R. Borresen.

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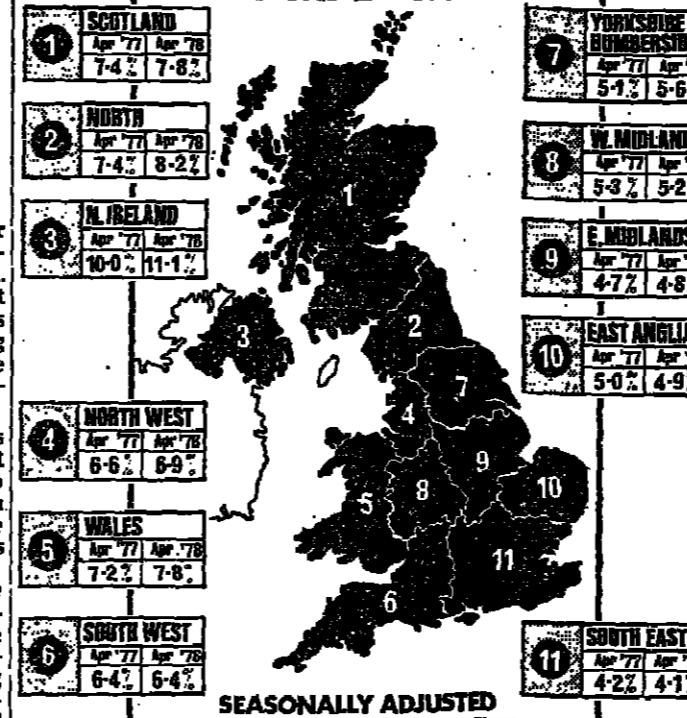
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UNEMPLOYMENT



SEASONALLY ADJUSTED

Unemployment fell in April in the U.K., except in Yorkshire and Humberside, where it was unchanged, and Northern Ireland. The biggest improvement was in Scotland, where unemployment fell 2.7 per cent to 17.2400, seasonally adjusted. There was a 2 per cent decline in the north of the country and falls of 1.1 and 1.3 per cent in the south east and south west respectively.

Safety staff suspended at Windscale

SAFETY workers at the Windscale atomic plant, Cumbria, were suspended yesterday over a pay dispute.

After staging a series of token strikes, the plant's 150 health physics monitors were warned by British Nuclear Fuels that they would be suspended for three days unless they worked normally.

The men claim the company has failed to honour a pay agreement.

The jobless total rose by just 100 in the West Midlands, to 120,900, seasonally adjusted while the rise in Ulster was 1.7 per cent.

Northern Ireland's unemployment rate was the highest, at 11.1 per cent, followed by the north with 8.2 per cent, and Wales and Scotland with 7.8 per cent each. The lowest rate was in the south east, 4.1 per cent.

Claridge's will pay £30 loyalty' bonus

By Philip Bassett

STAFF at Claridge's, the London hotel, who took no part in the recent strike will receive £30 or the nearest equivalent in shares in the company, the management said last night after a meeting of directors.

The share bonus will be payable to the nearest equivalent of £30 in ordinary shares of the Savoy Group, of which Claridge's is a member. The shares stood yesterday at 70p.

Pit four-day week urged by Daly

BY OUR OWN CORRESPONDENT

DEMANDS for a four-day week later a straight four-day week throughout the industry.

ACAS moves to settle Rolls dispute

By Our Coventry Correspondent

ACAS has intervened in the deadlocked Rolls-Royce dispute in the second annual conference of the union's Midlands area, covering the Warwickshire and Staffordshire coalfields.

He told delegates in Llanidloes: "Some people are already talking about a four-day week."

Rolls Royce's two Coventry factories have been shut for nearly a month because of a pay dispute involving the 4,000 manual workers. Another 4,000 clerical workers are laid off.

The company has offered a 9.7 per cent increase, but the manual workers want 10 per cent. There is also a long-standing disagreement over the company's wish to phase out piece-work.

NUBE opposes move to keep shop hours

BY OUR LABOUR STAFF

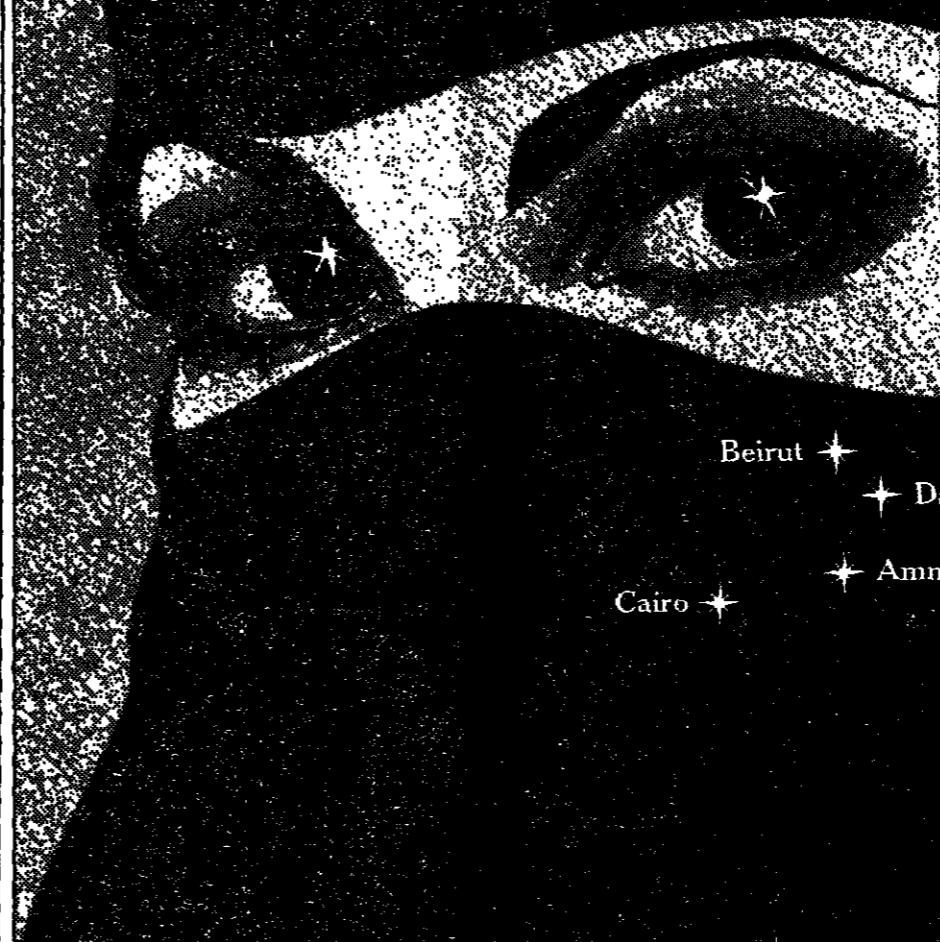
THE National Union of Bank Employees has protested to its extended opening in a small number of branches.

NUBE, which is opposed to Saturday opening, says Brent Cross staff who do not want to work the new hours will be forced to transfer to other branches.

Brewery hit

PRODUCTION at the Tyneside headquarters of the Northern Clubs Federation Brewery was at a standstill yesterday after engineers and draymen walked out in a dispute over union recognition.

Regardez l'Est



Look east. To the world's fastest-growing markets. To the oil producers of the Middle East. Air France gives you up to 61 flights a week to 14 important destinations: Abu Dhabi, Amman, Baghdad, Beirut, Cairo, Damascus, Doha, Dubai, Jeddah, Khartoum, Kuwait, Sharjah and Tehran. You fly from Roissy/Charles de Gaulle—the world's most up to date airport. There are excellent connections from London and Manchester.

Fly Air France and you fly in style and comfort. On most of these routes, we give you the peace and quiet of wide-bodied aircraft. And if you're travelling to Baghdad, Beirut, Cairo, Damascus or Jeddah, you'll have the pleasure of the incomparable Airbus.

We're opening several Meridien Hotels in the Middle East, too. Extending our hospitality beyond the in-flight service for which we're renowned. The Meridien Hotels at Cairo, Damascus and Sharjah are already open. Four more will follow very shortly: Abu Dhabi, Baghdad, Jeddah and Kuwait. You can even make your Meridien Hotel booking at the same time as you reserve your flight.

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PARLIAMENT AND POLITICS

Privileges
call over
naming of
Colonel B

By Philip Rawstorne

CONSERVATIVE lawyers yesterday tabled a Commons motion calling for the conduct of four Labour MPs who named Colonel B—the secret case witness from Army Intelligence—“to be referred to the Commons Privileges Committee.”

Mr. Mark Carlisle, MP for Runnymede and a former Home Office Minister, who sponsored the motion, said that the MPs appeared to have acted in breach of the Commons rules on sub-judice matters.

“I think this is a matter of great importance since it could create a precedent by which MPs in future may be guided,” he said.

Two of the Labour MPs raised the issue again in the Commons yesterday. Mr. Christopher Price (Lab., Lewisham W.), said: “Sometimes there are circumstances that Parliament must have say irrespective of the position of the parties on the matter.”

The Speaker, Mr. George Thomas, said he would consider questions about his ruling made by Mr. Price but rejected a further attempt by Mr. Robert Kilroy-Silk (Lab., Ormskirk) to pursue the affair.

**Minister
may visit
Japan**

By Our Parliamentary Staff

MR. ALAN WILLIAMS, Minister of State for Industry, told the Commons last night that he is considering making a further visit to Japan to try to encourage increased investment in the United Kingdom.

In a written reply to Mr. Kenneth Clarke (C, Rushcliffe), Mr. Williams said he visited Japan at the beginning of April to correct any false impressions which might have been caused by Hitachi's decision last year to withdraw its proposal to establish a factory in the U.K. He also sought to encourage further Japanese investment in this country.

“I am considering following this up with another visit later this year. My department will hold seminars in Japan this summer as part of wider international programmes of promotion of the advantages of the U.K. as a base for manufacture for the European and wider markets.”

Mr. Williams said that the Government extended the same welcome to proposals by Japanese companies to invest in industrial projects in the U.K. as to similar proposals from other foreign companies. All the incentives and forms of assistance which were designed to encourage such investment were available to foreign and U.K. companies on an equal basis.

Steel stresses collective view

By RUPERT CORNWELL

MR. DAVID STEEL, the Liberal leader, last night moved to squash suggestions that he is out of sympathy with his party's economics spokesman, Mr. John Pardoe, and his running battle with Treasury Ministers over further cuts in income tax.

Significantly, however, Mr. Steel referred, in a speech, not to the much-touted reduction of basic rate but to the changes in higher levels of income tax which look the most probable outcome of the detailed examination next month of the Budget proposals by the Commons.

The need for a shift in the burden of taxation from direct to indirect was the collective view of the 13 Liberal MPs at Westminster, he told a by-election meeting in Epsom.

“Contrary to the impression given by some sports, it is not a private theory of John Pardoe.”

But, Mr. Steel added, the

Forces let down over pay, Thatcher claims

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE NEW pay award for the armed forces came in for strong criticism in the Commons yesterday. Mr. Callaghan said: “Why has the Government done nothing this year to reduce the gap which has led to so many resignations and has sapped morale in the forces?” she demanded.

But the Prime Minister, who announced details of the award, to Mr. Basnett's proposal that argued that Mrs. Thatcher was publicly sector unions should entirely ignore the need to jointly negotiate wage increases, maintain the 10 per cent pay

“I believe the majority of people of this country will think we have taken a sensible and fair decision,” Mr. Callaghan told the House.

In his statement, he announced a 10 per cent rise in the military salary plus 3 per cent for the X factor, which takes into account the disadvantages of service life, and 1 per cent in allowances—making a total of 14 per cent.

The Armed Forces Pay Review Body, in its report, said that an average increase in pay of 32 per cent was now required to restore the full military salary to comparable with civilian employment. It recommended that this should be implemented in stages by April 1980.

The Prime Minister accepted the recommendation on behalf of the Opposition front bench. Mrs. Thatcher said the Conservatives were deeply disturbed that the forces had been let down over pay and would continue to be let down for some time to come.

Average earnings in the country were rising by 14 per cent and armed forces pay had fallen behind its civilian equivalent by 32 per cent. This means

“There is no doubt that, on occasion, the public services use the private sector to build on. The converse can happen and set off another wage explosion I am determined that that will not happen.”

From the Opposition front bench, Mr. Callaghan said the Conservatives were deeply disturbed that the forces had been let down over pay and would continue to be let down for some time to come.

“The forces are a unique case and should be treated as such,” he declared.

In a statement later, Sir Ian said that as a result of the award, many servicemen would fall even further behind civilian pay and others would barely keep up.

“The forces are a unique case and should be treated as such,” he declared.

This brought an attack from Sir Ian Gilmore, Tory defence spokesman, who said the Prime Minister had shown remarkable ignorance. It was totally wrong to suggest that the figures for the increase could be kept within the cash limits as the Defence Secretary had already said that it would be a blantant interference with free speech. “This is the first time I have ever had conditions like this imposed,” he said.

The declaration arises directly from the so-called “no-platform” resolution carried at the last National Union of Students conference, where the Left-wing coalition, which dominates student politics, made significant gains at the expense of the Conservatives.

It stipulates that no-one should be allowed to address a student audience without pledging his opposition to immigration curbs. In theory, this would debar practically every Minister and MP in the Commons.

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Sir Keith barred by Left students

By Rupert Cornwell, Lobby Staff

SIR KEITH JOSEPH, the Tories chief policy adviser and shadow Industry Secretary was yesterday barred by Left-wing students from giving a luncheon lecture at the London School of Economics.

Her party welcomed the promise to restore comparability in two years' time, but the Tory leader observed that promises as far as the future cost of the Government nothing. “We shall restore comparability and we shall restore it more quickly,” he promised.

Just before he was due to speak, Sir Keith was confronted with a demand that he should declare a declaration totally opposed to privatising immovable controls into the U.K. This he refused to do, and the meeting was closed.

The engagement itself had been arranged six months ago by the LSE's Conservative Association and no conditions were set on what he could say. Last night Sir Keith condemned the move as a blatant interference with free speech. “This is the first time I have ever had conditions like this imposed,” he said.

The declaration arises directly from the so-called “no-platform” resolution carried at the last National Union of Students conference, where the Left-wing coalition, which dominates student politics, made significant gains at the expense of the Conservatives.

It stipulates that no-one should be allowed to address a student audience without pledging his opposition to immigration curbs.

In theory, this would debar practically every Minister and MP in the Commons.

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The Management Page

EDITED BY CHRISTOPHER LORENZ

Bold features

JOHN WHITFIELD has just been appointed manufacturing manager of the printed circuit board division at Plessey in Poole. The rest of the factory, which employs over 2,000 people, is dependent on this relatively small division for the supply of all its circuit boards for the manufacture of a wide range of products, from telephone exchanges to traffic light controls. So it is a particularly key division. Yet Plessey has just appointed a man with no experience in manufacturing management.

Not only will the senior management be watching Whitfield's progress with a very close eye, but so will the Engineering Industry Training Board, which has been responsible for preparing him for the task.

He is one of 15 young engineers who are two-thirds of the way through the EITB's first batch of fellowships in manufacturing management. Whitfield's fellowship still has nearly six months to run, but his new job—providing he is up to the task—is a permanent one.

The fellowships came into being following the EITB's realisation that manufacturing industry was not attracting the brainpower it badly needed in management. Manufacturing managers have usually come up the hard way from the shopfloor, having joined as apprentices or after national certificate.

THE TRADING world is becoming increasingly competitive. More companies are having to send more employees abroad in search of business, and also, of course to carry out existing contracts. British nationals now often have to spend some time in areas that have poor hospitals and medical facilities.

Apart from the need—some would say duty—to look after employees overseas, the company needs to protect itself against the financial loss it would suffer if anything unforeseen happens to a key man or woman.

Travel insurance has been available for many years, but the

Tapping hidden talents

BY JASON CRISP

This did not matter until the scope for higher education was increased, since when, according to the EITB, the better people have been creamed off into university—where they receive little encouragement to go into manufacturing industry. Eric Huggins, senior tutor for the fellowships says: "In the universities, manufacturing is a dirty word. Academics will encourage even engineering graduates to go into research and development rather than manufacturing. The good intake has dried up."

So the Board realised that there was a pool of talent residing in research, development and design departments which could be tapped. But the problem for anyone inclined to make the transfer was how to get a job of similar status without a proven track record in manufacturing management.

The fellowships are the EITB's way of helping young engineers bridge the gap and to show that it is possible.

When the fellowships were first advertised, the EITB attracted over 1,000 inquiries, which resulted in 200 applications. The fellowships are open

to engineering graduates aged the final 15 all had top degrees between 25 and 32 with at least three years' experience in the engineering industry, probably university—where they receive R and D or design. On the 18-month course the fellows are paid £5,000 a year either by Shorrock and Huggins felt that their sponsoring company—like six months was about the time that John Whitfield—or, if they do longest they could take anybody not have one, by the EITB away from industry.

The growing shortage of gifted managers in industry has prompted a training board to introduce special fellowships to help bright young engineers cope with the rigours of manufacturing management.

itself. In the first year's intake two thirds of the fellows were sponsored and by the second year, just starting, the figure has risen to 85 per cent.

Peter Shorrock, one of the EITB's senior officials, says that

The course concentrates on a wide range of subjects and includes practical project work, single out academic brilliance, and company visits. The fellows

but leadership abilities, or live in Cranfield, often work "belly" as he likes to put it in the evenings and at

euphemistically. As it happened weekends.

Subjects include management accounts, industrial relations and law, organisation, project planning, production planning and control, and motivation. The emphasis is always as practical as possible.

After a six-week break with a vacation study project, the fellows return briefly to Cranfield before setting out on the major practical side of the fellowship, gaining their "track record."

And it is here that the EITB has faced its greatest problem

—persuading companies to allow fellows into a real job where they make real decisions, and are not tagged on to some other manager who will treat them as a millstone. About half of the first year's sponsored fellows worked in their own companies, while the other half have moved into different ones in order to gain wider experience.

Somewhat reluctantly, the

EITB staff do admit that not

all the projects are proving a

success. They say that about

half are going very well with

the fellows gaining real manage-

ment experience. Of those that

are not so successful in the blame,

according to Shorrock, lies

evenly between the fellows, the

thing of a problem post in the catalyst. Clearly the fellowships it is a hell of a grind."

company management or the fact that the project was unsuitable.

The EITB officials say they will be spending much more time auditing projects and the ability of companies to provide the right training.

John Whitfield's project at Plessey is certainly one of the better ones. Before he took the fellowship he had been a group leader in design and development at Poole. He decided he should try to move into general management because the horizons looked decidedly broader and at 34 he is the oldest fellow. The first five months of his project at Poole were spent investigating the long lead times of certain "bespoke" electronic equipment.

He has just completed this task, culminating in a presentation to the managing director of Plessey in Poole, with proposals for reducing the lead time by 20 per cent. Whitfield says he has "learned one hell of a lot." His approach was similar to that of an outside management consultant and involved the detailed study of the manufacturing process, from raw material through design, right through to delivery for one-off products.

At the beginning of April, in the final phase of his fellowship, he became manufacturing manager of the printed circuit board division, which has been some

past. While it only employs 33 will be very useful to the company's essential character people involved each year, b

within Plessey, as supplier of the impact on industry is going to be minimal. Their success will really be measured

Gordon McDonnell, who is the extent to which many other

now both Whitfield's tutor and companies develop similar pro

jects agrees that the new job grammes of their own. B

is a big responsibility: "He's even if companies are willing

flat on his back . . . we will

be within a couple of months of making a career in manufac

turing management attractive

As McDonnell says: "My private

view is that there are just enough people interested

at the EITB make it clear that

they see the scheme as a manufacturing as a career . . .

evenly between the fellows, the thing of a problem post in the catalyst. Clearly the fellowships it is a hell of a grind."

BUSINESS PROBLEMS

Compulsory purchase

Our business is being closed down, because of a compulsory purchase order on the premises.

The two directors hold all the shares in the company. Presumably we shall be able to claim against tax for loss of office for the directors and redundancy for the workers. Would it be better to wait for the youngest director who is just 59 to reach the age of 60 for capital gains tax purposes, before liquidating?

Where U.K. expatriates are working overseas for longer periods employers need to provide accident and sickness cover not only for employees, but also for their families as well, if they have accompanied him or her.

The Royal Union has been active in this area, particularly with building and civil engineering companies.

Statutory redundancy payments to the employees will be deductible in calculating the company's profits for corporation tax purposes (subject to the 41 per cent. rebate from the Redundancy Fund), but any payments beyond the statutory figures are unlikely to be eligible for corporation tax relief, since the company is ceasing to trade.

It is most unlikely that any provision for the two directors will be eligible for corporation tax relief, since they are the owners of the company's entire share capital.

It is not wise to delay liquidation long after the cessation of the company's trade. Under the terms of the concession announced by the Inland Revenue in August 1976, CGT retirement relief is only given in respect of liquidation distributions made within three years of the cessation of trade and, in any event, the relief is based on the age of each shareholder at the date the trade ceased.

Property dealing

Two of us are directors of a private property dealing company, which have bought a house which we hope to sell later, at profit, to offset against an earlier agreed loss. The rent of the property is thus incidental to the main purpose. We have done a lot of work on the house

capital.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Directors' fees are in fact earned income, as defined in section 530 (1) of the Taxes Act, for the answers given in these columns. All inquiries will be answered by post as soon as possible.

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The case for sharing the burden of unemployment

BY DAVID EVERSOLE

AT FIRST sight, discussions about unemployment policies in Germany may seem to have little relevance for Britain. In the Federal Republic, incomes may be growing more slowly than before, but they still grow faster than they have done in the U.K. for many years. The Germans' share of the world's export trade is still rising even in a recession. They have a large balance of payments surplus on current account. Since the late 1960s, they have reduced the number of foreign "guest workers" by nearly 1m., avoiding at least one possible cause of rising unemployment.

On a comparable statistical basis, their percentage of unemployed is probably half ours, yet while it still means well over 1m. out of work. In the U.K., we have far 1.4m. by our methods of measurement, and thanks to some energetic short-term measures by the present Government, the figure appears stable or even shows a tendency to decline. Yet when the Department of Applied Economics in Cambridge bases its policy recommendations on over 4m. unemployed in the medium term, they are berated for their prescriptions, not for their forecast of rising percentages out of work.

In the U.K., we expect a slackening of the demand for labour largely because of the failure to maintain effective demand at home, and our shrinking share of the world's export markets. We also expect some loss of workplaces through rationalisation and automation: in other words, a rise in productivity. The Germans on the whole do not believe that their growth of rates, and their share of export markets, will be the major cause of unemployment. But they do expect their high rate of investment in productivity to lead, if not to large-scale redundancies, then at least to a lack of demand for new entrants. This applies not only in their manufacturing sector, but also in service industries. In the U.K., we tend to be conditional about this, if industry begins to invest at the "proper" level, this may lead to a short-term fall in the demand for some kinds of labour, but the longer-term benefits will compensate for this loss, including higher real incomes and more spending power, and the ability of Government to increase its expenditure.

"In Germany the first overt discussions about shortening the working day, the working week, the working year and the working life, without proportionate income compensation, are now taking place. It is time for a similar debate in Britain."

comes for those whose working hours were cut. Better to have 15 per cent of the workforce unemployed, we say, and living at half the national average living standard, than .3 per cent unemployed and 97 per cent drawing 10 per cent less, in real terms, than they would if they were all working (knowing that many of them would not in fact work).

In an analysis of the long-term prospects, Dr. Christine Foeppl, a well-known Bavarian economist and journalist, has now put the dilemma to the unions, the employers and the politicians. (*Die Vollbeschäftigungsförderung* [The Full Employment Formula], Fischer paperback 1978.)

She is outspoken about the reasons why most people instinctively reject any worksharing formula as "uneconomic," "anachronistic," even "socialistic." So her argument is partly based on a complex analysis designed to show that even from the point of view of long-term economic growth or at least stability, work-sharing makes sense. However, in the last analysis, her appeal is humanistic: the price which society would pay for its economic survival by totally demoralising both the young and the old is too high. She fears less idealistically, and probably rightly, that increasing unem-

rightly, that increasing unemployment among the younger graduates (far worse there than here) will increase political tension; another good reason for not following the narrow prescriptions of the growth economists.

Putting together the German discussion, and the analysis of our own experts outside Government; there seems to be no escape from the problem either in an economy which may seem to us to be still fairly healthy, or our own. It is unlikely that anything will be done in the short run. But at least the discussion ought to start. Dr. Foeppel sets out alternative ways of doing what is required: some are rejected as impracticable or irrelevant (like giving women a year off when they have children). Perhaps we ought to perform similar calculations here, and test the reaction of unions and employers. The Germans no longer hope the spectre will go away: we have even less reason for optimism. But perhaps the ability to discuss such matters freely grows in inverse proportion to their urgency.

David Eversley is a senior research fellow at the Policy Studies Institute.

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An ABC of children's programmes

by CHRIS DUNKLEY

Here are six quotations taken from television during the last fortnight:

"Co smashin', right, and now time for a hot box situation."

"This drink is sedated. It tells me you need rest. And refreshment. And relief from inner tension."

"It's a looovey feeling is that and I bet Prince Andrew is right royally chuffed."

"Rare we've got sompin' vary special for you. Your kids coom ere we're g'n'r ave a look 'n' see there's noothin' conderneth that 'overcraft over that..."

"He leans on a stone, feels a little bofilder, and goes across to the big caveman whose name is Grotto. It's his cave, see... Do you know where a general keeps his armies? Up... his sleeves."

"No one shall take his life but me. I shall flay the skin from his living body and wear it about me like a cloak."

Anyone able to identify the parts in that little collection obviously has young children and spends a lot of time at home in the daytime because they are taken in order, from: *Cheggers Plays Pop* (BBC), *Logar's Run* (ITV), *Blue Peter* (BBC), *Run-around* (ITV), *Think Of A Number* (BBC), and *The Feathered Servant* (ITV).

They point up a number of facts about what has been happening in children's television since it last occupied the whole of this column 15 months ago. Taking the last quote first for instance, the amount of really nauseating violence scarcely seems to have diminished.

Thames Television and the Independent Broadcasting Authority are evidently perfectly content to aim the sort of verbal obscenities quoted above at a target audience of young schoolchildren. It would be fascinating to know what IBA director-general Sir Brian Young or *Fennered Serpent* producer Vic Hughes would say to the insistent six-year-old asking "What does playing skin from a living body mean? And how do you make a cloak from it? And why?"

The *Logan's Run* excerpt represents American content and my general impression, without using a stopwatch, is that this remains pretty constant too. The BBC runs at least four American cartoon series (*Bailey's Comets*, *Dastardly and Muttley*, *Scooby Doo* and another *Hanna-Barbera* series that is new to me, *Laff-a-Lympics*) and the verbal content of these is presumably incomprehensible to most British children. "Trick or treat," "strike two" and "rat fink" — which all were second-rate cinema, cropped up within a few minutes in last week's *Laff-a-Lympics* — are familiar neither as phrasés nor as concepts to British children.

However, since the birth of Mickey Mouse twas ever thus and quite a large proportion of children's television continues, for good or ill, much as ever. Tony Hart and his director and producer Christopher Pilkington (perhaps the best served minority in the entire national audience) is singing along and marvelling at the plasticine man, shaking its tins of buttons with Morph, with the Piedian flute *Play School*; and *Champion The Wonder Horse* is still rearing up, on his hind legs and frightening second-hand theatre or second-division literature. Would there was a single series for adults which used stop-motion photography, music, electronic effects such as chromakey, and all of television's other exorbitancies with as much imagination as *Blue Peter*. Noakes, Judd and producer Biddy Baxter fully deserve all the awards and plaudits that in *Take Hart* the BBC has a series which habitually exploits television just as though it weren't second-rate cinema, second-hand theatre or second-division literature. Would there be a single series for adults which used stop-motion photography, music, electronic effects such as chromakey, and all of television's other exorbitancies with as much imagination as *Blue Peter*. Noakes, Judd and producer Biddy Baxter fully deserve all the awards and plaudits



Free-thinking John Noakes of "Blue Peter"

better than almost anything else which are characterised by reactions against the familiar values tubby hips and buttocks of British broadcasting, and in crammed into sweat jeans) has programmes, for example, there favour of that craze for a participating audience of demotic which has permeated so young school children as do much in Britain in the second *Run-around* and *Think Of A Number*.

No doubt every generation tends to react against the previous one, in broadcasting as in another, and often themselves.

Lesley Judd since Peter Purves left for the new BBC 1 children's sports series *Stopwatch* who delivered the Prince Andrew quote above as an introduction to BP's film of Noakes' own two-mile high free fall, with the RAF's Falcons parachute team last week.

There are very few regular programmes of which you can say that they are always enthusiastic, but never frantic for the sake of effects always same, but never boring; forever revealing the unusual without descending to the contrived; never malicious, never violent, and never descending. Yet you can say all that and a lot more about *Blue Peter*. Noakes, Judd and producer Biddy Baxter fully deserve all the awards and plaudits

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A demand for skills

DESPITE THE APPARENT STAGNATION of output, the unemployment figures continue to drop and the number of unfilled vacancies to rise. The underlying trend of unemployment—as measured by the number of those wholly without work, excluding school leavers and allowing for normal seasonal fluctuations—has now been falling for seven months in succession, and the latest drop is the largest of the seven; the number of unfilled vacancies has been rising for six months in succession. Not only are these trends difficult to square with an almost unchanged level of production but there is little evidence in recent industrial surveys of an increase in demand for labour, except in certain skilled categories in which scarcity has persisted throughout the recession.

There are several possible explanations of this persisting discrepancy and more than one of them may contain an element of truth. The first is that output is in fact rising more rapidly than the official statistics suggest; the measurement of production is particularly difficult when prices and stock levels are changing rapidly.

This, however, is more plausible with regard to the most recent unemployment figures, since these are published comparatively soon after the event. It does not explain why unemployment, after rising sharply throughout the summer months, began to fall in October.

Differentials

If so, the Government's various special measures for creating and maintaining jobs has probably had its part to play. These measures are officially estimated to be keeping some 260,000 people off the unemployment register, a figure which completely overshadows the month-to-month changes in the total registered as unemployed and makes the interpretation of the trend still more difficult than it would otherwise be. Given that a relatively high level of unemployment seems, for example, that the number of those joining and leaving the unemployment register—the change in unemployment is the small difference between these two relatively large totals—has especially on the job. The fact that demand for skilled men can fallen quite sharply over the past few months, it is worth noting, too, that actual employment has dropped in the past two months recorded. It is possible that the seasonal pattern has altered and that the seasonal corrections have gone skilled workers but an increase in the number of unskilled workers paid for drop in unemployment recorded.

The limits of pay policy

NO ONE pretends that pay for the pay guidelines to be policies are fair. There are adverbs to, even though their occasions when they may be accepted by the public for a short while, but the longer restrictions are maintained the greater will be the anomalies and distortions of pay structures and the greater will be the risk of the policy itself coming into contempt. Other groups in the community besides the armed forces have seen their pay fall seriously because they have been subjected to the strict limits of the official pay guidelines and are unable to work on overtime or shift work rates, participate in self-financing productivity deals, or make up their pay packets through other forms of wage drift. But servicemen are singularly disadvantaged compared with most others in being unable to resign at short notice to move to a better paid job elsewhere.

Balance

The introduction of the military salary in 1970, followed by the setting up of the armed forces pay review body, was a recognition of this factor. The new salary was to be based upon the concept that members of the forces should be paid similar rates to those for comparable civilian jobs, adjusted by an "X" factor to allow for the balance of advantages and disadvantages of service life—the danger, the frequent moves, the restrictions on personal liberty imposed by military discipline, and the inability to change jobs freely. Comparability was to be assessed by the review body, together with the charges that servicemen should pay for their food and accommodation.

This system has been allowed to operate properly in only two of the last seven years. The shortfall and distortions in service pay bed by the Hesa to Government's pay policies were not so severe as to be incapable of being fully made good in 1973, but since then the military salary has fallen so far behind again as to require increases averaging 32 per cent. if the forces were to be put in a position of suffering no more than the community generally.

Last year and the year before the attrition in the forces the review body accepted that strength. In the end, pay policy there was an overriding need cannot buck the market.

In practice, however, the choice was probably no more than a political compromise between what Ministers thought on the one hand, might preserve the semblance of a pay policy and, on the other, might help stanch the rising flow of resignations by servicemen. Much has been made of this increased wastage in recent months, and pay may not be the only factor, but the fact that servicemen cannot leave at short notice could well mask a more serious situation especially among the middle ranks who are expensive to replace and train. In promising the full restitution of comparability in two years' time, the Government has followed the precedent of the fittermen's settlement. But the fact remains that the award is the bare minimum. Ministers felt they could get away with, and it could well prove to be insufficient to stem the community generally.

Last year and the year before the attrition in the forces the review body accepted that strength. In the end, pay policy there was an overriding need cannot buck the market.

Compromise

In practice, however, the choice was probably no more than a political compromise between what Ministers thought on the one hand, might preserve the semblance of a pay policy and, on the other, might help stanch the rising flow of resignations by servicemen. Much has been made of this increased wastage in recent months, and pay may not be the only factor, but the fact that servicemen cannot leave at short notice could well mask a more serious situation especially among the middle ranks who are expensive to replace and train. In promising the full restitution of comparability in two years' time, the Government has followed the precedent of the fittermen's settlement. But the fact remains that the award is the bare minimum. Ministers felt they could get away with, and it could well prove to be insufficient to stem the community generally.

Last year and the year before the attrition in the forces the review body accepted that strength. In the end, pay policy there was an overriding need cannot buck the market.

Matanzima's action raises the question whether the final

Matanzima, Prime Minister of Transkei, formally withdraws his ambassador from Pretoria on April 30, yet little will really change in the relationship between South Africa and the tribal homeland. The Transkei budget just announced still provides for South African aid totalling R113.5m (£80m). Trains will still cross the border, electricity supplies will continue, remittances from some 350,000 Transkei citizens working in South Africa will still flow. Some 800 South African civil servants will carry on working in the "independent" Transkei, all by courtesy of the South African Government.

Chief Matanzima's complaints are two-fold. He lays claim to the district of East Griqualand, something of a no-man's land on his north-eastern border, which is claimed both by white farmers and by its original Griqua settlers. If it were transferred to the Transkei, it would consolidate the country into two portions rather than its present three.

The second complaint is that a high proportion of the total drop in unemployment since last autumn has taken place in the south east region of the country, where the percentage level of unemployment is lowest. This would be an understandable consequence of the rise in consumption which higher earnings, slower inflation and lower taxation have combined to bring about. In the month to mid-April, as it happens, this pattern has changed to some extent, with substantial unemployment falls in such depressed regions as Scotland (7.8 per cent unemployment) the north (8.2 per cent) and the south west (6.4 per cent.). The tendency for the traditional disparities between the regions to become more marked again is perhaps beginning to go into reverse.

Chief Matanzima's objections concern the enforcement, rather than the principle, of apartheid.

Undoubtedly, however, Matanzima's action calls into question some of the basic assumptions of the South African master plan—and it means that the system is now being challenged from each end of the black political line-up.

Mr Vorster's grand strategy, as inherited from his predecessor, Dr Hendrik Verwoerd, seeks to create independent ethnic states for each black tribe in South Africa, leaving the rest of South Africa as a majority white state without black citizens, albeit with coloured (mixed race) and Asian minorities. To accomplish this the tribal homelands must become reasonably viable states, and the flow of the black population into the "white" urban areas must be reversed.

Mr Vorster must defend the political aspirations of the existing urban blacks, and persuade them to exercise their ultimate political ambitions within their respective tribal areas.

Mr Vorster has faced challenges from radical urban blacks, demanding both greater economic opportunities and a greater political say in the system; and from unco-operative homeland leaders, led by Chief Gatsha Buthelezi of KwaZulu, who refused to accept independence outside a unitary South African State.

Now, however, the Government is being challenged from "within" the citadel. The Transkei move means that even the most conservative and hitherto co-operative of homeland leaders finds it difficult to admit his appointed role in the apartheid system. Chief

Matanzima's action raises the question whether the final

MEN AND MATTERS

Food for sale—at a price

Exports of food are one of the successes of the Chilean junta—or so Patricio Maturana, the First Secretary (Commercial) at its London embassy, was assuring me yesterday. The figures would seem to support this. In 1973 Chile imported \$800m worth of foodstuffs and exported \$80m. But by 1975 the accounts were even and since then food has been a net foreign exchange earner. Food imports from Chile by Britain have quadrupled between 1973 and 1977.

First Secretary Maturana told me that onions did particularly well here but sales of dairy products had to be aimed at other countries. He said that Chilean food production rose 14 per cent between 1976 and 1977, so that there was a good margin for export.

These claims that food exports are "one of the most successful sectors of recent years" are put in a different context by the Chilean Solidarity Committee. A spokesman for this body cites the figure that 61.5 per cent of pre-school children in shanty towns are undernourished. This statistic comes from the Catholic Church's specially-created Vicariate of Solidarity for the Defence of Human Rights and the unemployed in Chile.

The spokesman also quoted Chilean government officials from CONIN (The Corporation of Infant Nutrition) and CONCAN (The National Council for Food Nutrition) who last summer reported that between 17 and 18 per cent of Chilean children aged under six suffer from malnutrition. 30,000 school children are fed in soup kitchens run by charitable organisations since the coup.

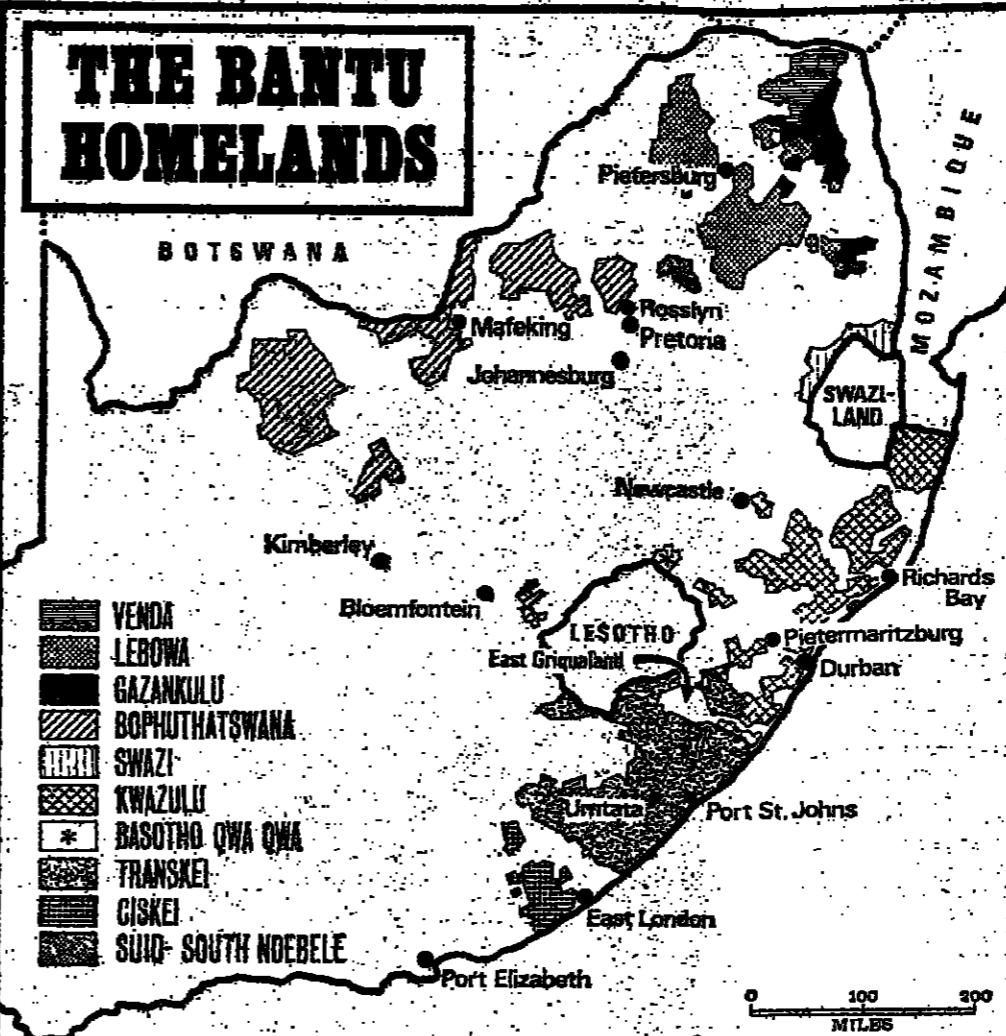
"Gad, the LSE is the last place for banning anything—in particular the birth!"



"Gad, the LSE is the last place for banning anything—in particular the birth!"

Vorster's grand design runs into trouble

BY QUENTIN PEEL, Johannesburg Correspondent



white in club-house activities, as fortunate task of themselves primarily because it does not allot any place to urban Africans.

Certain political and economic changes could prove more fundamental. Two major political innovations have been introduced, with mixed success. The first has been the installation of Community Councils in the townships, to replace the former Urban Bantu Councils. The latter were purely advisory, whereas Community Councils are supposed to be given some executive powers, and even in some cases to run "fully autonomous municipalities". Councils have been elected with reasonable success in some of the smaller black townships, but the election proved a fiasco in Soweto itself, where only two of 30 wards were contested, and 5.3 per cent of the eligible electors actually went to the polls. In subsequent elections only 6 per cent voted in 14 wards.

These moves have been cautious in the extreme: the concessions in private schools and night-clubs could be very temporary. Claims by Dr Piet Koenraad, the Minister of Sport, that sports apartheid has disappeared appear questionable, as long as white spectators cannot attend multiracial football matches in black townships, and while a complex system of permits remains in force for most multiracial activities.

One move announced by Mr Vorster as a major concession was his intention to do away with the hated pass laws, under which blacks must carry an identity pass at all times, and present it on demand to a policeman. An average of 180 people a day were arrested for pass law offences in 1976. Mr Vorster announced that instead, blacks would in future be required to carry "travel documents" issued by their home-government. The basic regulations governing influx control would remain, strictly limiting the access of blacks to "white" urban areas, and restricting any claim to permanent residence status.

Thus the change merely gives Thos the charge merely gives Thus the principles

to allow black members to join the homeland leaders the un-

councils have rejected the plan. Perhaps the clearest example of the limitation of Government-inspired liberalisation comes from proposed changes in the law to allow blacks to take out mortgages to buy their homes in the townships. Mr Connie Mulder, the new Minister of Urban Affairs, told Parliament yesterday that he believes all the banks with the possible exception of Kwazulu, would be induced within five years. Yet Dr Matanzima's frustration

Development (the new name of the old Department of Bantu Administration and Development), made a major concession when he announced recently that the "relative permanence of urban blacks must be recognised. The law on black property ownership is to be changed to give them 99-year leases, to allow freehold rights which are not compatible with Government policy, he said.

What makes black opponents of the Government extremely sceptical about the claim of liberalisation has been ticks is that while moves are introduced to improve their material lot, the massive population movements necessary for implementation of the apartheid master plan continue. In recent report, the Black S.A. anti-apartheid organisation calculated that some 2.1m people had been shifted about in strategy of consolidating homelands, getting aside specific areas for each race and removing "black spots" and "white islands" from the country. According to published plans, another 1.7m people remain to be moved. Of a grand total, all but 8,800 are black.

Dr Mulder has declared Parliament that his vision remained that of a "white South Africa which ultimately would have no black cities".

Moreover, while conceding the right of permanence in terms of home ownership, he has introduced an amendment to Parliament which will deny his children the residence rights their parents have, leaving them preserved.

There has been a relaxation of restrictions on black traders operating in the townships, but the ban on blacks acting as managers in the white city centres has been maintained. More important, two government commissions have been established to investigate the whole area of labour relations. The Wiehahn Commission is not expected to report until the second half of the year, but informed leaks suggest that while it may recommend recognising black trade unions, it will simultaneously propose sweeping restrictions on the trade union movement as a whole. Instead, plant-based "enterprise committees", which

might have a greater representation for the different race groups, but allow minority groups a veto, would be encouraged. The other commission, run by Dr Piet Koenraad, economic adviser to the Prime Minister, is looking at the whole area of legislation as it affects urban blacks as workers.

Perhaps the clearest example of the limitation of Government-inspired liberalisation comes from proposed changes in the law to allow blacks to take out mortgages to buy their homes in the townships. Mr Connie Mulder, the new Minister of Urban Affairs, told Parliament yesterday that he believes all the banks with the possible exception of Kwazulu, would be induced within five years. Yet Dr Matanzima's frustration

containing the conflict, and all pragmatically

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FINANCIAL TIMES SURVEY

Wednesday, April 26 1978

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Vehicle Finance and Leasing

The leasing industry is going from strength to strength and its growth in the vehicle market has been very rapid. This sector also received a further boost when the Chancellor did not, as expected, remove any of the tax advantages gained from leasing a vehicle.

Left alone to prosper

By David Wright

FUELLED BY an unprecedented level of inflation the cost of purchasing and running a motor vehicle has risen out of all proportion over the past three or four years. This has put an even greater strain on the company or fleet user, who is already under pressure to preserve margins and liquidity ratios while at the same time it has forced a number of private individuals out of the new car market.

Faced with this problem the companies which now account for 60 to 70 per cent of all new registrations could either retain the fleet longer or find alternative funding arrangements. Since extending the life of the fleet results in higher maintenance and repairs costs, as well as a much lower trade-in value the savings are short term if there are any at all. So other forms of finance or means of acquiring the use of motor vehicles was the natural solution.

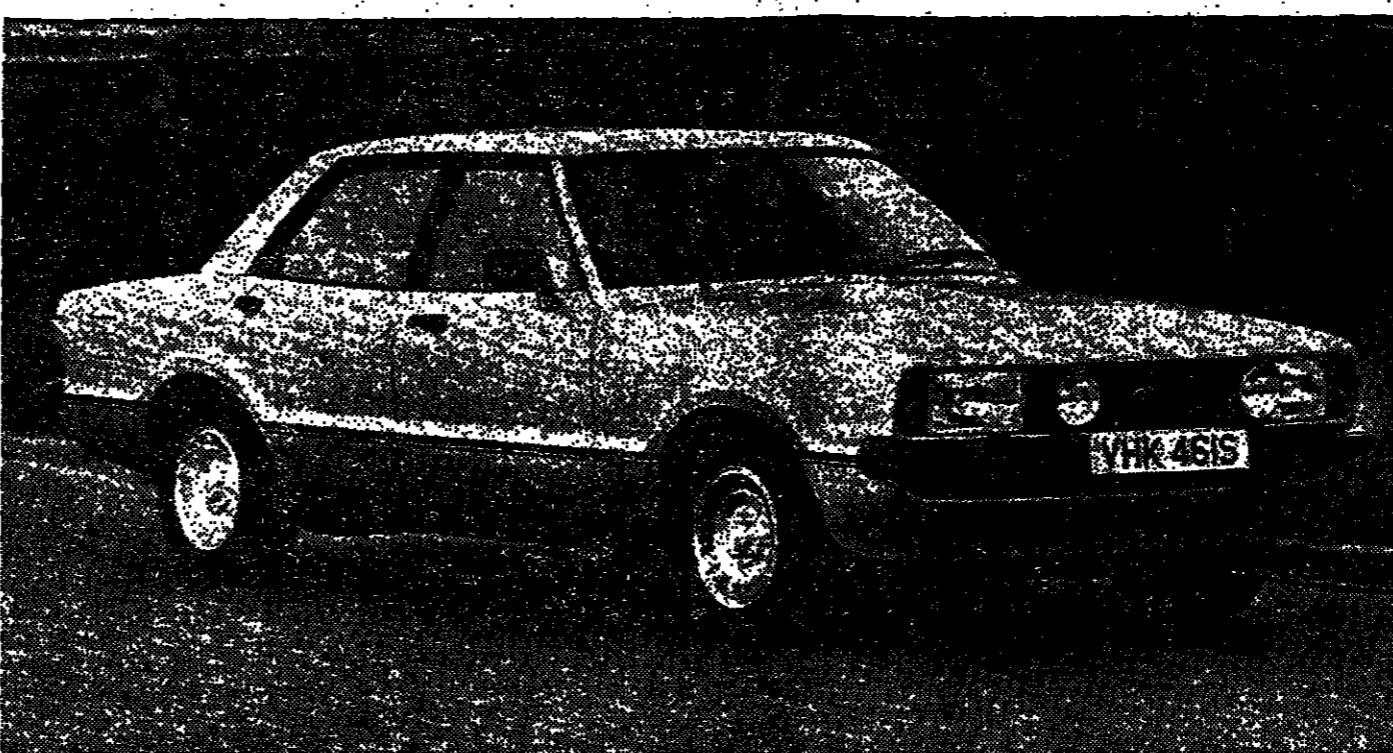
Leasing and contract hire, which offer the company several advantages, in particular cash flow and tax allowances, have

been steadily filling this need in industry. But even these methods took on an added attraction following the relaxation in the Control of Hiring Order last June. Since then the leasing industry has been booming and a leading lessor claims that business has virtually doubled over that period.

It is easy to see why leasing/contract hire has been so popular with companies. First, there is no sizeable initial capital outlay, so this allows funds to be used more profitably elsewhere in the business. Moreover, it reduces the burden of managing the fleet since a leasing arrangement can be tailor-made to suit any particular need. This means that any maintenance or repair cost, the big imponderables in fleet management, along with any other outlay such as insurance and road tax, can all be included in the monthly rental. This in turn gives the company greater scope in forward planning, since the fleet costs would be known in advance.

But the big financial gain stems from the way in which leasing is treated for tax purposes. A leasing company or finance house is eligible for a 100 per cent first-year write-down allowance on new vehicles. The benefit of these allowances are passed on to the fleet user by way of reduced rentals. In turn, these rentals can be offset by the lessee or fleet operator against his revenue as a business expense and are fully allowable against tax.

In the past there was a certain amount of friction caused by the doubt over whether the resale value of the vehicle coming off a lease could, in some way or other be passed on to previous



The popular Ford Cortina.

for the benefit of the operator. Value and any excess over this measure to close this tax avoidance scheme and is one such area that was widely

this practice was illegal and as lessor.

Some leasing companies felt figure are passed on to the loophole. Such they did not pass on the. Since second-hand car values have been the executive cars tightening up on the personal benefit of capital allowances. have been very strong there that are fixed with only a tax allowance arising out of the such deals. However, the fear loss of business, since their from the disposal of the car end of a two-year lease. There in the industry was that while terms were not competitive with after a leasing arrangement. are cases of Rolls-Royces having blocking these blatant tax

lessors who were feeding This bonus has naturally been a residual value of £1,000 after avoidance schemes the Chan-

back the benefit. But the doubt was cleared recent remarkable growth in

up last June when it was announced that businesses were

exempt from the controls. This not only meant that the front end deposit was greatly reduced — the rate now is about three months' rent in advance against a cheque. Denis Healey, in his

Budget suggested while it was even Ford is probably the most aggressive through its subsidi-

ary Ford Motor Credit 25 per cent level.

To that extent the leasing industry breathed a sigh of relief although to be fair the well-known leasing companies were not involved in the practice of artificially depressing the residual value. Indeed the industry now seem to be very prudent when fixing residual value. A consensus of opinion around the major lessors is that 75 per cent of the original value was a fair average after one year, about 50 per cent after two years and 30 per cent after three years. Inflation rates are after all falling and a return to a more traditional second-hand car market looks inevitable.

Force

As for the fringe element it must be hoped that they take the warning from the few areas of tax avoidance that the Chancellor actually hit particularly, as the measures were retrospective, which was not widely expected.

While the motor car market may have taken the line over the past year there has been a fair slice of progress in other forms of vehicle leasing. Commercial vehicles le-

asing is no new venture but

more aggressive approach to

truck market has now been

taken by Lombard through

"Trucklease" which

designed to become firmly es-

ablished in the market before

expected upturn later this year.

This package will no doubt force the sector to become more competitive.

Agricultural equipment while a major market in terms of total sales, is basically a com-

pany as far as leasing is concerned.

But many of the finance houses are now seriously con-

sidering moves into this area.

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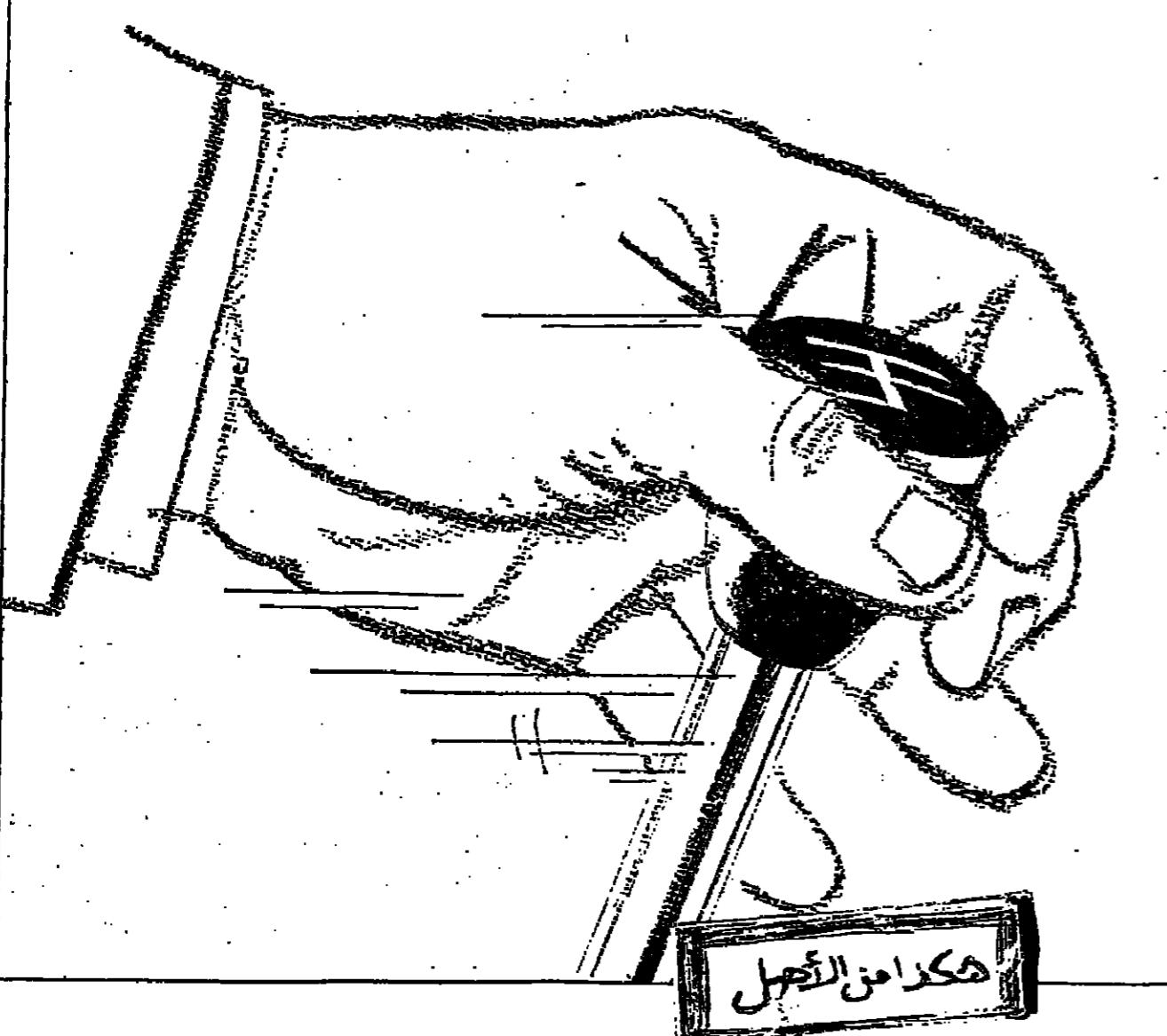
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VEHICLE FINANCE AND LEASING II

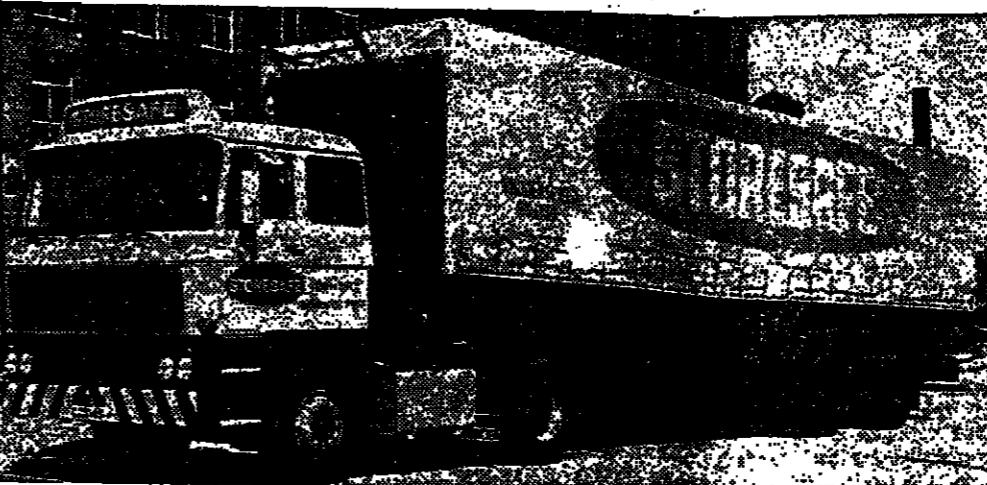
Greater emphasis on management

CAR FLEET management has become an accepted and important function of most sizeable companies. The number of company cars is rising at a staggering rate, as has the actual cost of the motor vehicle and this has resulted in large sums of capital being tied up in the fleet. Companies are under pressure to preserve liquidity ratios so it has become imperative that the high capital outlay is not only put to good use but managed as efficiently as any other part of the business.

Managing a car fleet has therefore taken on a new dimension. The volume of business puts pressure on the manager to find the cheapest way of purchasing vehicles, since capital could be better employed elsewhere in the company. The choice of vehicle has become equally important. The performance of the car, the likely level of maintenance and the prospects for selling it after use must all be evaluated. Not surprisingly fleet management in a number of companies is now dealt with at board level while others have sought the help of independent specialist fleet management concerns that are now emerging in this country.

Without doubt it is the time spent in analysing maintenance costs that is giving most cause for concern among fleet managers. Garage bills are spiralling both in spare parts and labour costs. More care now needs to be taken over running cost calculations. Having said this it does appear that much is being achieved, particularly by the manufacturers, to reduce the maintenance costs as much as possible. Improvement in design and quality of components has meant that periods between services are extending. Moreover, the manufacturers are also improving their warranty schemes and this substantially reduces the repair costs for fleet operators over the first and in some cases the second year.

The importance of maintenance has certainly worked in the favour of the British manufacturers. While there is little to choose in reliability between two-fold. There is the advice on British and foreign vehicles the cost of home produced replacement parts is considerably less than the foreign counterparts—ordered using PHH's buying power to obtain the maximum discount. Thereafter maintenance costs are monitored and any anomaly would be ironed



Storesafe's Crane Fruehauf semi-trailer.

Manufacturers in the U.K. out while at the end of the fleet have naturally concentrated on use the car would be sold, the demands of the fleet customer by producing more utility again with the benefit of added muscle. Apart from this type vehicles that probably PHH can offer an expense pay than the equivalent foreign car.

Moreover bulk buying of British cars is more convenient in that vehicles can be ordered off the production line and practically delivered direct to the fleet operator. Importers would not be in a position to match this service given the reluctance to carry high stocks.

It is not surprising then that British manufacturers capture over three-quarters of the company car market while in some cases like contract hire and leasing the figures are even higher. Foreign manufacturers appear to be making greater inroads in the private sector via their heavily subsidised promotion deals.

The growth in leasing has been staggering with the advantages it offers to cash flow. Leasing companies are entitled to a 100 per cent allowance in the first year on the vehicles purchased for the purpose of leasing. Companies buying their own vehicles are only entitled to a 25 per cent capital allowance. The benefit of this 100 per cent allowance is passed on to the fleet user in the way of reduced rentals. Moreover, no major front end commitment on a leasing agreement is required in advance since companies are exempt from the hire controls so there is no major capital outlay.

At a time when there are intense pressures on working capital requirements, there are distinct advantages in eliminating the heavy capital outlay on new fleets. The capital can be used

elsewhere in the business where the return would no doubt be considerably higher. What is more leasing rentals can be charged direct to revenue account as a business expense and such are fully allowable for tax purposes.

There are basically two forms

David Wright

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Fleet sales

THE IMPORTANCE of fleet sales to the major motor manufacturers has increased dramatically over recent years. There is no precise way of knowing exactly what the proportion is, but a consensus opinion suggests that it is of the order of 60 per cent, or roughly treble the percentage only 10 years ago. And that is only what the manufacturers know about; there could be thousands more cars bought by the individual but paid for by the firm.

The size of this market has not been lost on the manufacturers who are all out in the market place pitching for their piece of the business. The undisputed market leader is Ford, which sells vast quantities of its Cortinas and Escorts at the volume end, and its Granadas in the executive league.

However, the others are not pursuing taking advantage of Ford's inability to make its desirable motor cars fast enough to satisfy demand: there is now a three months' waiting list for the popular versions of the Cortina, the prime seller. Vauxhall has made an impressive dent on the market with its Cavalier, which is comparable in size, price and overall appeal to the Cortina, and its Chevettes. British Leyland has Marinas, Allegros, Daimlers, Chrysler is moving well, too, with its Avenger and Alpines, the latter proving increasingly popular because at just over 1,400cc engine capacity it falls neatly into a lower bracket for personal tax purposes.

Each of these manufacturers has made its own arrangements for providing finance for its customers.

Ford has the highly successful Ford Motor Credit which, at the moment, is actually being broad-minded enough to finance purchases of other makes of car while the manufacturing side gets over its production problems. Chrysler has Chrysler get the service of all the others Acceptances, which is owned thrown in. This particular 50:50 with Mercantile Credit, manufacturer has also been

Vigorous

The services offered are all broadly similar in that, either directly or indirectly through the dealer network, they offer hire purchase, contract hire or straightforward finance leasing—the latter currently being the most sought after. They are all promoting their leasing services in a very vigorous manner,

which is helping to increase the general awareness of the benefits of leasing in a market which is growing but is still a long way behind North America.

However, the services are comprehensive and each of the manufacturers is trying hard to find ways in which to outdo the other and offer just a little bit more. Chrysler, for example, has boosted the number of dealers offering lease packages to 122, around 50 of whom offer specialist truck leasing facilities. But, in addition to that, it is possible for a customer to negotiate only one contract to lease, say, 100 vehicles, but which have to be delivered to various parts of the country.

The deal is struck with just one dealer in conjunction with head office in Coventry, and it is arranged for the other dealers in the "system" to deliver the cars. In other words, although you buy from one dealer you get the service of all the others Acceptances, which is owned thrown in. This particular 50:50 with Mercantile Credit, manufacturer has also been

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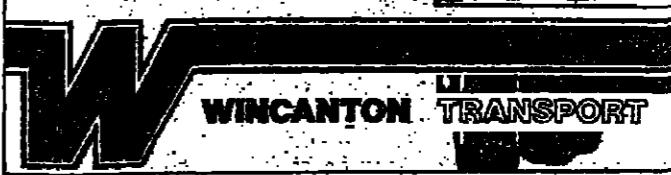
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Peter Fawcett, General Manager



The financial distribution file says nothing of the but Natic Services can help. Contract transport be drivers affected. But most

CONTINUED ON PAGE IV

Double bonus for distributors

BRITISH-MADE cars are still with new legislation which pro- be set against the rest of its residual values have had to chase
the pop as far as the vied greater freedom to business. And leasing also pro- up new car prices and profits
is concerned. This fast grow-tracts. This cleared the way for Mr. John Tustain, managing balance.

This fast grow-tracts. This cleared the way for Mr. John Tustain, managing balance.

Foreign manufacturers—led by the aggressive marketing techniques of the Japanese—are now regularly commanding a near 50 per cent share of the British car market but to date have had little impact on car leasing and contract hire.

A recent survey of British Vehicle Renting and Leasing Association members revealed that foreign made cars have captured only 5 per cent. of this lucrative market.

This must be good news for the British manufacturer with leasing a growing force, particularly in the fleet market—which can be expected to come under fresh attack from foreign manufacturers in the current year, and which accounts for around 50 per cent. of all car sales.

Profits

For the distributors, leasing has provided a double source of profits—first from the actual rental and then from the sale of the car when it is returned to the dealer—at a time when the car market, like the economy, has been stagnant.

The recent survey carried out by the British Vehicle Renting and Leasing Association, showed that leasing and contract hire business increased by 10 per cent. during the period June 1976 to June 1977. This year the Association expects business to increase by at least 15 per cent.

Lombard North Central—ferry Davis test case were clear to the finance houses. By taking pretty profits. Mr. Tustain says: "Certainly in the early days much of the muscle behind leasing and leasing provided none of the when inflation first took off the hassle of maintaining and ser- profits to be gained from this the rate of 50 per cent. this vying the car, unlike contract ready-made supply of second hand cars outstripped the profit's growth was provided last year obtained tax relief which could

from the leasing itself. However,

Godfrey Davis.

Previously the distributors had

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The implications of the God-

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"Certainly in the early days much of the muscle behind leasing and leasing provided none of the when inflation first took off the hassle of maintaining and ser-

but they have had that before.

Andrew Taylor

Inflation

It is not a question of the finance house or the bank competing with the distributor," he says. "We both need each other.

We need the finance house to provide the necessary muscle and they need our marketing experience. They particularly do not want to have to dispose of the industry alight. It was the tax benefits which first attracted the finance houses, and more recently the banks.

The recent buoyancy of second-hand car prices—fuelled by double figure inflation—is another factor which has been crucial to the success of the industry. When a customer negotiates a car leasing contract a residual value of the vehicle is agreed on top of the payment terms. This is simply the second-hand price which the distributor feels he will be able to charge when the car comes back on the market.

In recent years inflation has sent all car prices spiralling so that the second-hand price charged has often been way above the residual value agreed at the time of leasing. This has left the distributors with some

losses and banks provides on the mantle of car traders—

said recently that its leasing interests were growing at the rate of 50 per cent. this vying the car, unlike contract ready-made supply of second hand cars outstripped the profit's

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Andrew Taylor



A Fiat 170 belonging to Gulliver's Truck Hire, the vehicles rental company based in Bristol.

Commercial vehicles

THE COMMERCIAL vehicle thus make a leasing company's whole livelihood is based on his market differs from motor cars problem of guessing residual truck. And most readers will in a number of important ways. The other major difference is that much more difficult, not need reminding how frequently transport firms go to viewed (at least for business purposes) on a two year basis. With the cost of the vehicle: we are the wall, leaving creditors high

or three at the most. With the price can be anything this market and there is every

between £10,000 and £20,000, sign that really fierce competition may switch away from

depending on its specification, a flat trailer, container or box.

Many vehicles are also supplied in the customers' own livery. The

Snare parts are also more readily available for British makes which keeps service costs down—another point in the

which the driver inflicts his own personal damage, will be used for different purposes. Two

vehicles, with identical specifications, might be used in quite different conditions; one will be used

at the heavy end of the market leasing is well established in

At the heavy end of the market leasing is well established in

the price can be anything this market and there is every

between £10,000 and £20,000, sign that really fierce competition may switch away from

depending on its specification, a flat trailer, container or box.

One firm that has already started to go after the business is Lombard North Central, which, having done so well out of its clever Wheelease package

is a lease/purchase agreement which, to all intents and purposes, is hire purchase, and the other is a buy-back lease.

All that means in practice is that the operator can either take the vehicle at the end of

the lease, or he can take a gamble on the residual value at the end of the day—with the distributor—and that will be directly related to his treatment of the vehicle and its condition.

to present a persuasive argument to potential customers. It fulfills the role admirably of a reference work, which means in practice that the salesman ought not to get caught out by any nasty questions that may be directed at him by the knowledgeable buyer. Armed with this piece of sales equipment, it is easy to imagine the distributor dreaming of instantly increased sales volume.

However, whether the other finance houses will woo the distributors with their own seductive versions of Trucklease remains to be seen. What is important is that the commercial vehicle market is a potentially ripe one for leasing.

As common with other pieces

of heavy capital equipment, the replacement costs on commercial vehicles have gone through the roof in recent years, making the arguments in favour of

leasing as against buying that much more compelling. Estimates indicate that the price of car-derived vans went up by no less than 250 per cent. between 1972 and 1975, and, of course, have risen further since then.

At the really heavy end of the truck market, the rise is generally reckoned to have been no less than 300 per cent.

The decision as to whether vehicles should be replaced is always critical, but against this sort of explosion in outlay it takes on an added dimension. Indeed, the choice of whether to change vehicles and, then, whether to buy outright with cash, borrowed money or by hire purchase, is increasingly being taken out of the hands of the traditional transport manager. These are probably now decisions for the Board or finance director.

Leasing does offer a very real and sensible alternative, particularly if the operator is low on taxable profits—such as a smaller haulier may be—against which he can set his capital allowances on the purchase. It also preserves value capital and other credit lines.

The way in which commercial vehicle lease agreements are written tends to fall into two basic types. On the one hand there is a lease/purchase agreement which, to all intents and purposes, is hire purchase, and the other is a buy-back lease.

All that means in practice is that the operator can either take the vehicle at the end of

the lease, or he can take a

gamble on the residual value at the end of the day—with the distributor—and that will be directly related to his treatment of the vehicle and its condition.

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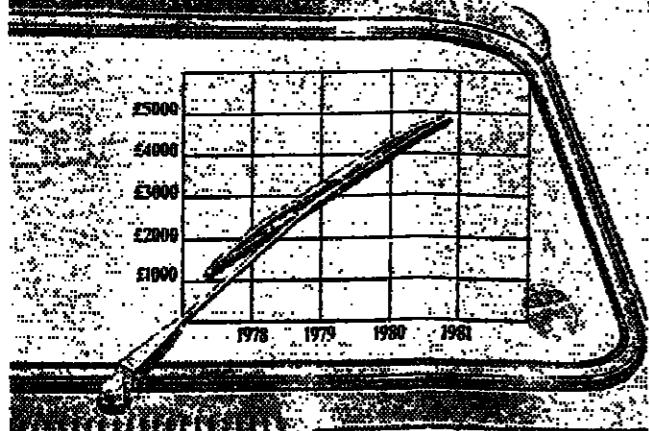
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VEHICLE FINANCE AND LEASING IV

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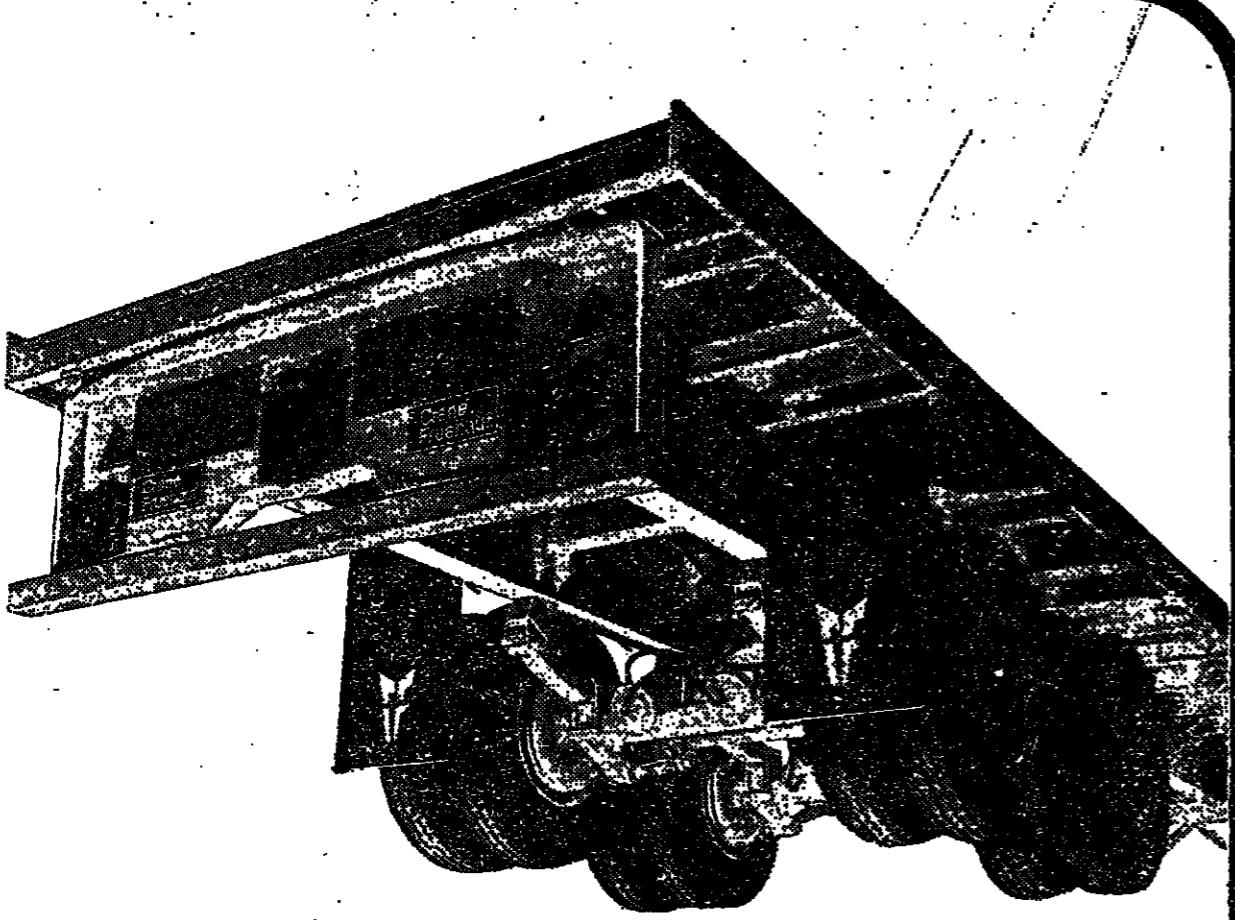
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VEHICLE LEASING has been growing at fairly rapid rate for some time now but the industry was given a shot in the arm last June following the relaxation of the Control of Hiring Order. Since then growth has been staggering. One of the major finance houses claims that its car leasing business has doubled since the middle of the year.

The British Vehicle Rental and Leasing Association claims that while contract hire may only have risen by 10 per cent. or so over the past year this growth rate was well outpaced by leasing. It could be argued then that leasing is taking business away from the contract hire specialists. But the contract hire specialists feel that while leasing is growing faster, it is only an extension of contract hire.

Leasing and contract hire companies are entitled to take advantage of an 100 per cent. first year write down allowances. These benefits are passed on to the fleet vehicle user by way of reduced rental. The lessor or operator is also in the position to offset the rentals against his own revenue as a business expense and are fully allowable for tax purposes. The relaxation in controls then made leasing even more attractive.

Prior to June there was always some doubt as to whether the resale value of a car after leasing could be passed on to the lessee. But since then the Government has announced that businesses are exempt from the controls. Therefore, under a leasing agreement now the lessee stands to benefit from residual value.

Leasing is basically a financing deal. The operator has freedom of choice over the vehicle and the dealer and the dealer and then the services of the finance house are sought to finance the deal. The operator repays the finance house by means of monthly rentals.

The residual value of the car is generally calculated by the dealer or leasing company but if the customer wants to take an interest in the residual value there are opportunities to do so. The lessee guarantees to pay the terminal value at the end of the lease. Any excess over the residual value would be for-

THE BENEFIT OF LOWER CASH FLOW FROM LEASING A £3,000 CAR

Comparative Cash Flow for	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	5th Quarter	6th Quarter	7th Quarter	8th Quarter	9th Quarter	Subsequent Periods	Total
Outright purchase	3,091	3,185	3,281	3,380	3,482	3,583	3,697	3,803	3,703	1,069	
Leasing	446	726	1,014	1,311	1,617	1,932	2,257	1,714	1,714	1,150	
Net difference	2,645	2,459	2,267	2,069	1,865	1,656	1,440	1,483	11	51	
Net return at 1% per month from investing net difference	40	37	34	31	28	25	22	23	0	2	237
Tax relief on net return									74	49	133
Net benefit											114

Most companies can utilise the "Net Difference" in cash flow for investing in their primary area of operation.

The benefit from choosing to lease can be quantified by applying the difference between:

(a) the company's required investment rate (in this example 1% per month), and

(b) the company's borrowing cost (in this example 1% per month) to the "Net Difference" in cash flows.

The net benefit of choosing leasing rather than outright purchase for a company requiring a net return of 1% per month (1% - 1%) is as shown.

Source: Lombard North Central

warded to the lessee. Lombard sale are carried out by the hire North Central achieves this by company. They in turn estimate the repair and maintenance cost as well as the residual value and the rental terms are fixed.

The lessor carries no risk nor reaps any reward from the sale of the vehicle. Contract hire puts a greater emphasis on maintenance and service

Having said this the bulk of leasing companies do insist on a deposit of roughly two to three months rent but this is still considerably less than the previous ten months. As such there is an added boost to cash flow, allowing capital to be utilised elsewhere in the business. There are facilities for the operators to arrange a maintenance agreement within the leasing contract. These can be tailor-made to suit most needs.

The Whelease agreement, for example, covers such areas as routine servicing and repairs to motoring association memberships and insurance.

Under contract hire the lessee would not suffer since they are purchase of the vehicle and the not involved with the car apart from financing. On contract residual values. Moreover, since sharply lower car values could inflation has been checked it is knock the hirer initially but a far easier task to cost maintain since there is no risk to the operator and repairs.

The boom period for second-hand car values could however be over. Inflation is now heading for single figures and second-hand car prices are expected to settle down to traditional patterns. Any sharp downturn in prices could leave a few scars. Certainly the operators would catch a cold under a leasing agreement since they have to guarantee the residual value.

Apart from an overall dampener on the leasing industry the finance houses are now becoming very manufacturer price rises in 1978 prudent when calculating the at there was in 1977.

This practice apart from the leasing industry seems to be taking active steps to avoid the pitfalls of a weak second-hand car market. While it is true that sizeable profits had been made by dealers, contract hire companies and the lessors on car disposals during the period of very high inflation the stance now being taken on residual values is encouraging.

D.W.

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Leasing Services

Decisions for the lessee

MANAGEMENT pressures and more pronounced than any £45,000 to purchase outright, so manufacture and movement of companies, leasing has become a fleet of even modest proportions, and there have been an established pattern of financial downturn in its a fleet of even modest proportions, and there have been an established pattern of financial difficulties over the past decade since the 1930s. Little can be done to encourage the manufacturer to try to make the market more competitive, and the industry appears to be facing a myriad of complex and sophisticated decisions through the worst of the slump.

Leasing an ever wider range. The State-owned National Freight Corporation managed to

increase its profits by close on

£1 million just some a fifth at the trading level in

the laws governing the con-

vention and maintenance of over half of the group's

Over the past decade revenues now arise outside the

UK have become lengthier and conventional spot and general

more complicated with the haulage markets, it is profit per-

ables for infringement

of regulations, especially that much more

trous, especially in relation

commercial vehicles. The

days of attention centres

tend on the pressures for

enforcement of maintenance

or overload laws—including

distance that vehicles might

be diverted for to be tightened.

Then there are laws on deploy-

ment. These have become notice-

more complex, so much so

that in order to cope

with the present situation many

operators have had to appoint

specialists in this field. Specific regulations, route pro-

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loading bans have become so com-

plexed that delivery and par-

ture schedules are getting out

of a point where actuarial

ills could be usefully em-

ployed.

These problems of costing and

deployment—no matter how

complex and sophisticated—like 30 per cent, in the ton-

age simple adjustments to the

business of satisfying customers,

however. It is for this reason that the latest registration figures

are more and more owners and that there is a build-up in heavy

operators of commercial vehicle articulated vehicles at the ex-

terior passenger car fleet find

themselves turning to profes-

sional fleet managers for advice, compounded by the impact of

The transport executive has inflation, has substantially in-

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VEHICLE FINANCE AND LEASING IX

Decisions for the lessee

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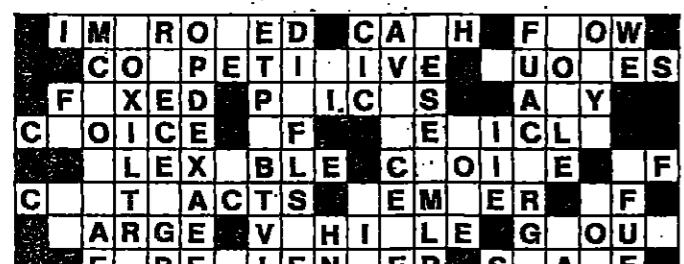
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The foreign invasion

IN TWO individual months last year, importers captured more deals than 50 per cent. of the U.K. The imported content of the car market. They emerged over the full period with a 45 per cent. share, and in the first three months of this year they last two years' have hung on with 45.8 per cent. of the market. Although this is far more than the norm for the rest of Europe, where imports stand at about 25 per cent., it is now difficult to see imports pushed back by much more than 10 per cent., even if the British industry performs exceptionally well and better than the past record suggests is possible.

The reason for this scepticism lies in the type of imports which are coming into Britain. Some of the growth in the past few years—particularly in the past two—derives from the structure of the industry, which would have to be radically changed to alter the tendency. This is because companies like Ford, Vauxhall and Chrysler import large quantities of vehicles in order to make the most of their resources on a European scale. Last year cars imported from their Continental factories accounted for about 10 per cent. of total imports, and although this figure may fluctuate both up and down in future, the presence of these kinds of imports will remain.

Networks

The second factor is the presence of the Japanese importers, who sell far more cars in Britain than in other individual European countries. These companies—Datsun, Toyota, Mazda, Honda, Colt and Subaru—are now well established and have set up dealer networks capable of taking 15 per cent. of the market. In the first two months of this year they captured 13 per cent., and although the Japanese Government is now seeking to restrain shipments, the Japanese importers' share is expected to stay at around 10 per cent.

Although there is no clear guide in the official statistics to the specific market for imported vehicles, it is reckoned by most analysts that the vast majority of their sales go to private customers. Indeed, possibly 75 per cent. of all private sales last year went to important cars. This means that the importers have still got a long way to go on the fleet side of the market, which remains predominantly British.

The difficulties facing importers in this sector are, however, considerable. The distinguishing characteristic of the fleet market is that customers buy in bulk—in fact, to qualify for fleet discounts with the major manufacturers, orders have to be over 15 vehicles. The trouble for importers is that they cannot carry the amount of stock to make a sustained attack on these kind of orders. The British manufacturers, on the other hand, are able to take vehicles straight off the production line.

The second factor is the size of the distribution network available to the U.K.-based producers. Because they have dealerships spread nationally in much greater numbers than even the largest of the importers, they can offer better servicing and maintenance deals to big customers. The contract hire part of fleet business has been rising rapidly, leading to a considerable demand on garage facilities.

At the same time, the larger, longer-established dealer networks of the U.K.-based manufacturers tend to have greater financial strength and the ability to offer more sophisti-

cated leasing and other finance deals. They are financed by corporate purse in one way or another.

The bulk of these cars probably go to small businesses or the professional classes, where a vehicle can be offset against tax. Indeed, the current Audi advertising is overtly aimed at attracting businessmen who are aiming to face up to high taxation demands and want to lighten the burden as much as possible.

For example, the company came out with an advertisement entitled "How to increase your personal allowances by more than the Chancellor increased them yesterday." Last year, it pointed out in a leasing advert that "You can pay a monthly rental which can include all your maintenance costs. You don't have to worry about depreciation either. And the entire cost of leasing can be set against tax."

Marketing

Similar marketing aims lie behind the growth of leasing schemes in this sector. In this field, the aim is to help customers spread the payment for their vehicles over a period of time, while receiving the advantages of being able to offset the lease against tax. These are schemes specifically designed to help business customers, although some private motorists can also benefit from them.

The signs are that most of the importers' effort in the company car market in the next year or so will continue to be concentrated on this end of the market. They have a ready-made sales opportunity in the sense, since most of them are

specialist sector because of the shortage of British-made cars of this kind, the demand for variety, and the poor supply position at Leyland. Even the Japanese manufacturers are now finding that they can appeal to a part of the luxury market—as, for instance, Colt, which has just launched a cheap leasing scheme.

Whether they can now build on this base to expand into the rest of the fleet market is now the big question facing the industry. Experience shows that there is sufficient variety of demand within the British market for a whole for a number of importers to be able to build a 3 to 4 per cent. market share quite easily. But expansion beyond that point is more difficult. It means, in effect, gearing up investment in stocks, building up much larger dealer networks, and pursuing a more aggressive sales policy than most importers feel they are able to because of the uncertainties of supply.

It also means making a determined attempt on the fleet market as a whole, and trying to push into volume as well as specialist car sales in this sector. This is the only significant area in which importers still have to make a serious impact. One or two importers have already made attempts on the volume fleet market and retired—Volks-

wagen, for example, has decided to concentrate its company car efforts on its specialist car models. But others are still trying and are determined to build up on the basis of moving from small fleet sales of a handful of cars, to the medium size companies which are not of such overriding interest to the big U.K. manufacturers.

Terry Dodsworth

Exporters play their part

THE EXPORT of motor vehicles continues to be a major contribution to Britain's earnings power overseas and the term cover of up to six months.

The financing of these sales is carried out routinely by most motor companies, usually with backing from the Export Credits Guarantee Department.

Some major exporters of vehicles such as Ford carry out much of their overseas business through their own finance houses and as far as ECGD is concerned most short-term sales are covered by standard comprehensive guarantees.

The main financing problem of the industry and its overseas selling operations is the credit-worthiness of distributors abroad, many of which may operate from a small capital base and therefore are sometimes regarded as a high potential risk. However, this is counterbalanced by the close links which major suppliers normally maintain with their distributors and the greater extent of financial detail which can therefore be provided about the distributor's activities.

As a result of this, distributors normally receive from ECGD a credit rating which is considerably higher than would be allowed on a normal accounting basis. Within ECGD, deals involving cars or smaller vehicles are handled by a department which covers short term cover of up to six months. The main call for longer-term cover continues to come from exporters who win contracts for large numbers of trucks or buses from countries outside Europe, and this normally extends to around two years. Within Europe even this type of business tends to be shorter term conducted on a continuous basis.

Despite the problems of the motor industry, the U.K. maintained a positive trade balance of £1.3bn. last year, exporting motor products worth £3.38bn. and importing similar products worth £2.5bn. However, this favourable balance was reduced by 14 per cent. last year when compared with 1976.

Exports of cars last year amounted to £752m. compared with £633m. in 1976 (an increase of 19 per cent.), while components worth £1.6bn. were exported last year, an increase of 22 per cent. on the previous year. However, the import level of components last year rose by an unprecedented 66 per cent., giving rise to fears that the problems of motor manufacturers were filtering through to the components sector.

UK exports of commercial vehicles in 1977 amounted to £633m. compared with £548m. in 1976, but imports rose by 72 per cent. to £211m., another cause for concern within the industry.

Although the export performance reflected in these figures does show considerable increases in terms of sterling, they do not reflect either the effects of inflation (which was running at a comparatively high level during the period) or the various fluctuations in the exchange rate.

CONTINUED ON NEXT PAGE

**What has
HOME COUNTIES
got the others haven't?**

We're still small enough to offer our own special brand of personal service... large enough to have the right resources and the best possible experience. We give reliable professional advice... and we take extra care to produce a personal leasing plan that suits you exactly. Whether your need is for one or two vehicles or a large mixed fleet, first see how Home Counties could help. Contact Richard Smith.

• Predictable transport costs—capital saving—tax relief • Any make of vehicle supplied

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**THE
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SPECIALISTS
ANY MAKE SUPPLIED
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77241**

**Phone this number
and find out how to cut your
company car costs**

If you run a company car fleet, you'll know that however many cars are involved (2 or 2,000), each vehicle has to be:

Purchased, paid for, delivered, licensed, insured, maintained, repaired, recorded, controlled, traded in and replaced.

Now multiply each of those costs by the number of cars in your fleet and you don't have to be Einstein to see that, relatively speaking, you are dealing with very large sums of money. Monies which could, if you switch from buying to Kennings Contract Hiring, be released to do all sorts of other things. Investments for example, or increasing your sales force.

Kennings started hiring horses and bicycles in 1910. 68 years of experience later, we operate a peak combined long and short term hire fleet in excess of 12,000 vehicles.

So why not phone Gordon Roe on 0246 77241 and let him suggest a package that will suit your fleet needs—and cut your company car costs.

KENNINGS CONTRACT HIRE

Manor Offices, Old Road, Chesterfield, Derbyshire.

GN

**When you lease
with us you get the best
service available**

- Rapid delivery on most models.
- Very competitive rates.
- Contracts tailored to suit individual company requirements.
- Fast quotation service.
- Service second to none in U.K.

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Rover Alpine GL...
dual Cabriolet 1.6L
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HOME COUNTIES
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INTERLEASING (U.K.) LTD.

DIAL CONTRACT

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Contract hire
any make of vehi
Peter G. W.
Nottingham (06

VEHICLE FINANCE AND LEASING XI

Prestige cars cash in

Thousands of businessmen drive cars that don't belong to them!

These men aren't doing anything illegal. It's simply that the companies they work for are being a bit clever.

Instead of buying vehicles, they contract hire them from Jessups. The economic arguments are irrefutable. And there are lots more advantages to be gained in the area of fleet management and administration. All this is worth looking into very carefully.

Send for our free brochure

It states the case for leasing and contract hiring and describes all the back-up services you get as part of a contract agreement with us.

Post this coupon and we'll send you a copy, immediately.

Your Company's Cars

Jessups

(Vehicle Contracts) Ltd.
London Road, Romford,
Essex RM7 9QS
Telephone Romford 22311

Please send me a copy of your brochure on the case for leasing and contract hiring.

Name _____
Company _____
Address _____
Postcode _____

£16.38 a week* to lease a 1600L 4-door Cortina

Any company asked to pay more, must fill in this coupon now!

(*Up to 20,000 miles a year and including Road Fund Licence, supply of relief vehicle and AA membership.)

With one of the biggest contract hire fleets in the country we can offer the lowest prices for long-term leases of company cars and we have more flexibility to arrange contracts which match individual needs.

Look at these examples of our prices, then tell us what your needs are.

Princess 1800..... £19.01
Marina 1.3 4-door DL..... £15.39
Chrysler Alpine GL..... £18.18
Vauxhall Cavalier 1.6L 4-door..... £17.30

For full details telephone Miss Mary Joyce on 01-937 7207 or post the coupon.

All rates are based on manufacturers' prices as at 21st April 1978, and a 3 year lease period.

Post to Dial Contracts Ltd, 7-17 Ansdell Street, Kensington Square, London W8 5BN.
Please tell me more about Dial Contracts company car services.

Name _____
Position _____
Company _____
Address _____

NEW CROWN
contract hire and leasing
(any make of vehicle supplied)

Peter G. Wooding
Nottingham (0602) 279216

member of British Vehicle Rental and Leasing Association

IN THE past 12 months there regulations on company car self-employed, in an attempt to surge of interest in the leasing of legislation in its away from the private customer. prestige cars. Much of this advertisement rather than the The company's latest model, the Control of Hire order in the paved the way with advertisements of last year, which made it possible for company purchases which do not show the possibility for company purchase vehicle at all.

chasers to take on HP or leasing agreements with no initial down payment. But there has also been a growing awareness among customers of the tax advantages of having a leasing agreement as well as the financial benefit of being able to plan payments on a regular basis without tying up large amounts of capital in a depreciating asset.

To serve these requirements, a great number of independent leasing operations have been established, both by large finance houses and individual entrepreneurs. But the manufacturers themselves are now also beginning to develop their own activities in this field, offering their own schemes of sponsoring dealer efforts as a part of their sales promotion effort.

The move makes sense because of the very high proportion of executive-type cars which are sold to the company market. For these buyers, whether large customers, small firms or independent professional men, buying decisions are deeply conditioned by commercial considerations such as cash flow requirements and the tax burden.

The other factor is the question of maintaining and servicing a vehicle. Particularly for smaller companies which cannot afford to maintain their own servicing department, this is an important question. Many of the cars falling into these categories are used intensively and are needed for work. What leasing can offer is maintenance contracts which promise to keep the vehicle on the road, and the use of an alternative if anything goes wrong. They allow cars to be used very much more as a tool of the business, working to maximum effect like any other piece of equipment.

The Audi finance company which offers the leasing scheme is one which is in general use by its dealers for financing stock funding after-care warranty, and providing cheap hire purchase schemes. Volkswagen, for example, is at the moment offering a three per cent HP scheme to customers. The group says that the finance company, 51 per cent owned by Lloyds and Scottish and 49 per cent by Volkswagen GB, began to provide leasing as a weapon of growing importance in the company market. Since it started advertising a month ago it has had "an enormous response."

The company which has taken the lead in this field is probably Audi, the Volkswagen subsidiary, with a series of advertisements directly appealing to the small businessman. Leasing is seen as one of the aids in this sales effort, although the company has also made a great play with the specific engine characteristics of the larger 100 model which fall conveniently within the cheaper tax barriers under the recent rate changes.

The Renault and Fiat schemes are intended to apply to the whole of their ranges, but they will probably be most used for the sale of their top-line luxury models, which appeal to the small business. This semi-specialist market is very much the target of the Colt Cars leasing programme which has also been launched this year.

Colt, one of the smaller Japanese companies, is aiming the scheme deliberately at small businesses, partnerships and the tax barriers under the recent rate changes.

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Colt, one of the smaller Japanese companies, is aiming the scheme deliberately at small businesses, partnerships and the tax barriers under the recent rate changes.

The Colt Cars leasing programme is designed for trouble-free motoring, and every Colt is protected by a full, 12-month 'no-exclusion' unlimited mileage warranty, backed by 220 dealers throughout the U.K. And Colt's only requires a major service at 10,000 mile intervals. You can also

choose from a range of 15 exciting models. For example an initial outlay of less than £400 will bring you immediate delivery of the luxury Sigma 2000 automatic, shown here. For further details, literature and the address of your nearest dealer, just post the coupon.

Colt Leasing has one tremendous advantage over all other schemes. Colt cars.



With Colt Leasing you can leave your capital largely untouched and entitle your company to full tax relief.

But Colt Leasing has one other real

advantage. Colt Cars. Reliable, fast and

stylish, Colt cars are remarkable value for

money and remarkably economical to run.

But the real advantage is their reliability.

The entire Colt range is designed for trouble-free

motoring, and every Colt is protected by a full,

12-month 'no-exclusion' unlimited mileage

warranty, backed by 220 dealers throughout

the U.K. And Colt's only requires a major

service at 10,000 mile intervals. You can also

I am interested in learning more about Colt Leasing. Please send me further information and the name of my nearest Colt Dealer.

Send FREEPOST (No stamp required) to: The Colt Car Co. Ltd., Freepost, Cirencester GL7 1BR

Name _____ Position _____

Company _____ Address _____ Tel. No. _____



Hangerfleet



Ford fleet experience and fresh ideas — you'll find them rewarding.

Contact Graham Rose, Associate Director, Hanger Fleet, Kingsbury Road, Birmingham, B24 9QE Telephone: 021-382 6660

Hanger Fleet

Terry Dodsworth

Vauxhall and Bedford Master Hire can save you money.

Master Hire is the Vauxhall/Bedford vehicle leasing scheme.

And right now, the case for leasing is stronger than ever.

A Master Hire lease can run for up to three years

on cars and vans and five years on trucks, and the

monthly rental is the same at the end of the period as at

the beginning.

Even the maintenance costs can remain fixed on cars

and light vans. But that's not the only way you save money. A Master

Hire contract releases capital that would normally be tied up with depreciating assets.

Master Hire also saves you time.

Sales, servicing, and finance, are all handled by your dealer, who can also arrange for your leasing agreement to be tailored to your company's requirements.

Contract lengths, replacement vehicle facilities are all negotiable. Even Road Fund Licence costs can be arranged within the lease.

Whether you lease a Chevette or a 32 ton Bedford TM tractor the deal can be arranged at any one of over 100 Master Hire dealers throughout the country, and the lease can be renewed so you always run up-to-date models.

Of course, what you really need to know is the cost of

Master Hire.

For all the details, fill in the coupon now.

The complete Bedford range includes Chevane and HA light vans; CF medium vans; TK light/midweight trucks and TM premium trucks.

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VEHICLE FINANCE AND LEASING XII

The welcome release
of a Swan National
lease!

We'll release you from the administrative and financial worries of fleet operating. Release your capital to be invested for greater return. Release labour for more productive purposes.

But there's more to Swan National leasing.

We have not married ourselves to any one manufacturer. We supply virtually any make of car British or foreign. Our only commitment is to giving you the car you want, the contract you want and the service you want.

Unlike that of many large leasing companies a Swan National lease doesn't tie you down. You define the contract you want.

From the 70 nationwide depots operated by our Sister company, Swan National car rental, we provide a fast vehicle replacement service (and highly flexible short-term rentals as well).

We have servicing agreements with 6,000 garages and we will set up a new one with any authorised dealer you care to nominate.

All this, and competitive rates as well.

So. Find new freedom in your Contract Hire arrangements, whether for a substantial fleet or a single car.

It's a most welcome release.

SWAN NATIONAL leasing

305/307 Chiswick High Rd, London W4 4HH. Tel: 01-995 0539

How to embarrass a leasing company with one simple question.

"Excuse me, but what if I want to terminate the lease before the end of the contract?"

The chances are that the answer you'll get will cost you a lot of money. The fact is, most leasing companies prefer not to talk about the financial penalties incurred if you want to terminate the agreement.

We don't mind what you ask us, our rates are keen, our service fast, and as far as we're concerned you can change your car when it suits you.

Whatever car you have in mind Capital Leasing have all the right answers. Call Roy Moore on 061-834 1591 or have your secretary mail the coupon:

I would like to know more about Capital Leasing

Name _____

Position _____

Company _____

Address _____

Tel: _____

CAPITAL LEASING

Scottish Life House, Bridge Street, Manchester M3 3BY.

IF YOU'RE THINKING OF LEASING VEHICLES, BEWARE OF THE DOTTED LINE.

[Sign here.]

When you sign on it, you're committing yourself to a contract for two years or more. What are the most important points to look out for?

First, is the plan tailor-made for your size and financial requirements? At Godfrey Davis we're infinitely flexible and have the experience to recommend an agreement.

Godfrey Davis (Leasing) Ltd, Newcastle Place, London W2 1DB Tel: 01-723 9051 (Cars) or 01-965 6659 (Trucks)

that won't lead to problems later.

And second, does the leasing company have the back-up facilities to service your vehicles properly and replace them quickly if they go wrong? At Godfrey Davis we have over 150 locations around the country to provide replacement vehicles and service facilities wherever you may be.

Godfrey Davis
Car & Truck Leasing

مکانیک التحلیل

Car hire companies flourish

THE U.K.'s major car hire companies—Avis, Godfrey Davis and Hertz—are enjoying, along with the rest of the motor trade, a period of vigorous growth on the leasing and contract hire side of their businesses. One of the more significant developments in this corner of the market was the re-entry of Hertz at the start of 1978.

This company operated a leasing business from the mid-1960s, but ceased writing new agreements after 1970 when it was decided that there was insufficient demand to support its continuing operation. The last of the leases expired at the end of 1973.

However, a flourishing industry has since developed on the back of rising costs of replacement and a more favourable regulatory and tax climate; specifically, relaxation of the Control of Hiring Order last June and an ability to use 100 per cent. capital allowances in the first year on passenger cars (it was formerly only 25 per cent.). Encouraged by these factors, Hertz was also influenced considerably by U.K. subsidiaries of American companies complaining to their parents that Hertz did not offer the service here. These complaints were duly passed to Hertz in the U.S.—hence the resurrection of the business.

Mr. Richard Weissbar, general manager of Hertz Car in February and are worth Mr. Weissbar expressed doubts) Leasing, recently gave the repeating now because not only that second hand car prices will do they give a view of the market as seen by a newcomer and are opting remain buoyant and are opting for open-ended finance leases.

Hertz believes that vehicle leasing in the U.K. has a bright future, but that there are a few troublesome areas facing the industry. On the accounting side, there is a need for uniformity of treatment so that lessors and lessees account for leases in a similar fashion.

Elements in the business would bring down the wrath of the Chancellor of the Exchequer in his Budget, or spark off some savage new directive from the Inland Revenue.

Godfrey Davis, which is a Ford main dealer in its own right and which has been in the motor car leasing and contract hire business for 30 years, has presumably enjoyed similar conditions. However, in February, the company said that there were far more inquiries than firm business, but added that it was optimistic about the industry overall.

In any event, the clouds have passed for the time being and business has indeed been plentiful. In common with everyone else, Hertz has been dogged by shortages of supply or new vehicles from Ford, but has managed to satisfy its more pressing customers with alternative Vauxhall, Cavaliers, Chrysler Alpines and more recently—and despite political pressures to curb imports into the U.K.—Datsun, which has the uncanny knack of being able to deliver on time.

Favourable

"On the regulatory side, the picture is currently a very favourable one. However, there are some doubtful practices being employed in the industry, mainly in luxury cars. Since these practices are rightly seen as benefiting a few at the top as opposed to the main purpose of fleet leasing as an efficient way of handling a company's total transport needs, there is the possibility of legislation harming vehicle leasing in general."

Finally, some segments of the industry now appear to continue to use the inflationary used car prices of the recent past in forecasting residuals for a period of two years in the future. The concern here is that very difficult times may befall the overly optimistic lessors to the detriment of the more responsible sectors of the leasing industry.

Aside from these concerns, aggressive but sensible lessors can expect vigorous growth throughout 1978. The industry will tend to sort itself out over a period of two years in the future. The concern here is that very difficult times may befall the overly optimistic lessors to the detriment of the more responsible sectors of the leasing industry.

It seems that some fleet operators are happy to sign a contract hire agreement, even if expensive, because it at least represents a constant item in the corporate budget, and avoids any risk of being taken into a market place well served by the professional car leasing companies who offer a high regard to residual values.

Others, on the other hand, are

nearly been at the expense of contract hire. The whole business has been enlarged.

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Those words were delivered taking the

shadows over Humberside

By ANTHONY MORETON, Regional Affairs Editor

WHICH docks in Hull now. Aberdeen lost 17 boats and a decreasing fleet. The Lowestoft eight.

The problems of the fishing ports are indissolubly linked with those of the fleets because these have traditionally financed their own shore operations through dues on ships and levies on fish landed. If fishing becomes difficult then there is insufficient finance to fund the shore facilities.

Those problems have multiplied with alarming speed since late 1973. First, there was the sudden jump in the cost of fuel, and three vessels at a time, it is likely to receive three distant-water vessels a week.

Then the docks lies the industry which can contribute to Hull's greatness. The button and wholesaling are intact; ice making, leather stores, plants for smoking the fish, engineering back-facilities all continue to

But there is not enough to keep them going full

the problems facing Hull acute, those facing other

are serious. Down river

is the Humber, Grimsby's

is linked with that of

Grimsby's fleet is more

British has in its waters 60

per cent. of the Community's

fish stock and wants to ensure

that it is allowed a commensurate share of fish landed.

According to Mr. Austin Laing,

director general of the British

Fishing Federation, "we could

get a solution tomorrow if we

were to settle on the terms the

ECC wants. But the problem is

to get a solution which is

acceptable for the U.K. While

this indecision continues fishing

costs are rising seriously. But

even this would be acceptable

if we get the right long-term

solution. Therefore we are not

pushing the Government for a

quick solution."

If British waters are not to

be fished out—and the ban on

Grimsby freezers because its

herring fishing is an indication

of the danger—then Britain

Grimsby having spent some £2m. they have been working the

Brussels agreement: sensible would enable the big companies

quotas on catches; a proper

conservation regime; and an

effective system of control and

enforcement.

The indecision resulting from

the lack of a common fisheries

policy is felt most acutely in

Hull because its fleet consists

almost entirely of distant-water

vessels and nearly all those

actually at sea are freezers.

There are two types of distant-

water vessel: fresher and

FISH LANDED BY PORT 1977 (provisional)

	tonnes	£m.
Hull	94,000	34.6
Grimsby	26,000	33.6
Plymouth	30,000	5.6
Aberdeen	70,000	27.6
Peterhead	64,000	25.9
Lerwick	46,000	5.4
North Shields	44,000	7.4
Ullapool	44,000	7.0
Fraserburgh	34,000	4.3
Lowestoft	26,000	11.4
Mallaig	25,000	3.7
Fleetwood	21,000	8.7

Source: White Fish Authority

freezer. A fresher, or fresh-fish boat, will pack its catch in loose ice and bring it back as wet fish—invariably to its home port. Two years ago Hull had 40 freezers, compared with 33 in Grimsby and 15 in the rest of Britain; now it has 27 and many of those are laid up.

The freezer deep freezes the catch at sea so that it can go straight into one of the dock-side deep freezers. Grimsby has six freezer vessels and is now the only other port with them.

The number in Hull has dropped to 26 compared with 33 just two

years ago.

Logically it would seem sensi-

ble for Hull to absorb the six

freezers because its

facilities are superior despite

the fact that Grimsby has been working the its shore infrastructure. This mackerel grounds off Cornwall: Brussels agreement: sensible would enable the big companies It has been more economic for such as Associated Fisheries, the Hull boats to supply the Ross, Birds Eye and Findus to Russian factory ships direct rationalise their own operations.

The freezers, because of their ability to stay at sea for long periods, need not land their catches at Hull.

Ideally a fresher has to be back in the port within about 25 days of making its first catch

otherwise the fish will start to deteriorate. The freezer can stay away from port for months.

Not only is its catch deep frozen

but it can land it at several places. Freezer catches have been going into Milford Haven, and Fleetwood could enjoy a new lease of life. It also makes more economic sense for a boat working western waters to pick up fuel and other supplies from western ports rather than from the Humber.

Some form of rationalisation, although it has to happen, could have dire consequences. Grimsby's labour costs are very heavy: there are independent observers who will tell you that the industry's labour force has a stranglehold on Grimsby and is slowly suffocating the port. Grimsby estimates that its dock

running costs this year will amount to a little over £1m., a rise of about 11 per cent. on last year.

The freezers are expected to account for about 18 per cent. of the landings and if this amount were subtracted from the port's estimated income there would be a short fall of around £190,000.

This deficit would have to be borne by the remaining boats using the port, pushing up their costs.

With costs rising at such a rate it would not be long before the other boats using Grimsby—it has 40 "middle water" boats and five "near water"—sought landing facilities elsewhere, thereby forcing up the costs of those remaining.

Putting all the freezers into Hull would certainly give a boost to its docks in the short run but there are many other question marks over the future of the port.

Since the pattern of fishing has changed the freezers have had to look elsewhere for their catches and this winter many of



Mr. Austin Laing, director general of the British Fishing Federation with trawlers laid up in Hull docks.

To a man, the industry backs the tough attitude he takes in Brussels.

The one great fear within the industry at the moment is that a general election might be called before the common fisheries policy is agreed and that another Minister might then have responsibility for

deciding the final details of fishing policy. It is felt that the Commission and particularly the Danes and the French would take full advantage.

In the meantime, the industry is seeking some form of assistance from the Government to tide it over until a clear view of the future emerges.

Both ports employ large numbers and in spite of being in development areas there will be considerable human hardship if either is forced to shut.

British United Trawlers Ltd., J. J. Marr, the largest private owned operator, are looking for alternative uses for their boats.

Some have gone to Australia others are operating as safety boats for the North Sea oil rigs. Meanwhile, the fresher fleet around the coast and the deep-sea fishing the near and mid-waters, the largest of which come from Aberdeen and Lowestoft, are growing older.

This picture of gloom has given way to much uncertainty and delays in investment decisions.

No new distant-water vessels are on order and companies

are on the lookout for alternative uses for their boats.

Others are operating as safety boats for the North Sea oil rigs.

Meanwhile, the fresher fleet around the coast and the deep-sea fishing the near and mid-waters, the largest of which come from Aberdeen and Lowestoft, are growing older.

U.K. Britain were given an ex-

sive fishing zone of, say, 20,000 miles as a result of a common fisheries policy then the industry would regain confidence.

Also there are about 20,000 Hulliders who depend for their living on fishing, ranging from more than 6,000 in the freezing and curing business to 10,000 or so making nets and under 175 making traps, specially designed for the ground and tackle. Such problems would be ordered a catastrophe for Humberside if anything happened to either Hull or Grimsby before a settled policy emerged from Brussels.

There would be hope for

Hull. In Aberdeen there are over 1,000 people out of work, about 13 per cent. of the Scottish fishing labour force.

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Letters to the Editor

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COMPANY NEWS + COMMENT

Associates' growth lifts TKM to £5.5m.

HIGHLIGHTS

AN ADVANCE in the contribution from associate companies' taxable earnings, from £887,000 to £1.19m., enabled Tozer Kemsey and Milbourn (Holdings), international finance and investment group, to show increased profit for 1977 of £1.52m., against £5.21m. Turnover was marginally better at £916m., compared with £909m. At half-way, profit was maintained at £1.73m. (£1.72m.).

After lower tax of £1.45m. (£2.7m.) earnings per 20p share for the year are stated at 10.4p (7.8p) averaged basic and 8p (6.1p) fully diluted. On shares in issue at year-end the figure is 8.2p basic and 8p fully diluted. A final dividend of 2.702p net lifts the total, with Treasury consent, to 3.064p (2.438sp). On capital increased by rights issues. The contribution from the international travel finance division was higher and overall profits from subsidiary and associated companies within the investments division were maintained. However, in the timber and woodpulp industries Price and Pierce suffered setbacks from the effects of economic recession; and also from the travel industry, in common with all UK-based foreign travel businesses, the directors say.

The results for the group have been unaffected by changes in accounting policy. The net premium on consolidation of concessionary companies is now being amortised over the known life of the concessions, and deferred tax has been treated in line with ED19. The comparatives have been restated.

Oversized tax provision in 1976 was, as reported at that time, disproportionately high.

• comment

After a static first half, TKM's second half profit rose of just under a tenth was better than expected, and the shares rose 4p to 5p. The fillip came from associates, where profits are 33 per cent. higher thanks to improved results from London (GB), Country Commercial and Abelson, while the South African loss was reduced. But overall, growth is still being inhibited by Price and Pierce, who profits are less than half the £2m. earned in 1976. Here, the lower level of trade hit timber dealings while woodpulp profits slumped along with the fall in pulp prices (down about 20 per cent.). So, as the depressing trading round kept Britain at home and the OSB tills and Wins travel interests incurred a £0.4m. loss, there has now been a revival in the travel business and this loss should be reversed in the current year, but the company's timber and pulp interests continue to be a worrying factor. The shares on average capital are on a p/e of 5.4 (fully diluted) on a low tax charge while the yield is 9.6 per cent.

• comment

After a virtually static first half Marshall Cavendish's profits rose by just over a tenth in the closing six months, but the underlying performance is somewhat depressing because the attempts to diversify away from partworks are not progressing as planned. The loss-making record company—Transatlantic—bought last July, has been trimmed down to bring it back to break-even but it is unlikely to contribute to profits in any extent this year. The cards, such as cookery, which were launched by mail order have not done very well, while the

move into expensive books has proved successful but it is taking longer than expected to recover the heavy front-end costs of these publications. So despite its moves to diversify MC is still dependent on partworks, not only for most of its profit but also for its cash flow. Since the diversification. Fortunately partworks are selling well, and another four or five launches are planned for this year. However an 11 weeks' strike by editorial staff has hit schedules: some publications aimed for next Christmas have been postponed and the strike initially halted the failed "un-successful" Face magazine.

The directors say they remain optimistic about the future but say a strike by some editorial staff, new settlers, and the closure of a new magazine in the last three months make it premature to forecast results for 1978.

A final dividend of 3.036p net per 10 share takes the total from 3.8p to 4.356p. At half-time profit was ahead from £1.19m. to £1.2m. and directors were confident of profits at least equal to those of 1976.

• comment

REFLECTING THE better results of end-of-season stocks, sales of Ellis & Goldstein (Holdings) recovered from £590,000 to £787,000 in the second half of 1977-78. This has more than made up for the first-half shortfall and the total pre-tax balance for the year ended January 31 comes through ahead from £28,000 to £123,000.

While the value of retail sales at £10.6m. was about unchanged in the second half compared with the same period last year, the value of turnover at wholesale prices shows an improvement of 14.4% to £3.91m. which includes a 23 per cent. increase in direct exports.

The difficulties in Canada and Australia continue as the economies of both countries are depressed and activity of the group is restricted by import controls.

Sales of spring merchandise at home have begun satisfactorily and initial orders for autumn are good but these factors provide no basis for a forecast for the current year, the directors state.

The year's earnings per 5p share are shown at 2.4p (1.8p) and a final dividend of 4.28p net per 20p share taken the total for the year from £5.81p to 6.6p.

The results include other income of £87,345 (£106,629), and

Travis & Arnold downturn

A DOWNTURN in second half earnings from £2.42m. to £1.8m. at Travis and Arnold left pre-tax profit down from £1.23m. to £1.78m. in 1977. Turnover climbed from £43.05m. to £51.38m.

The directors say indications are that the decline in the value of timber and forest products has now ended and the improving trend in housing starts should lead to increased demand for general building materials during 1978.

After tax of £1.83m. (£0.7m.), attributable profit was £1.95m. (£3.5m.), and retained profit came out at £1.06m. (£0.25m.).

During the year freshbook properties were revalued and the £1.01m. net surplus has been added to non-distributable reserves.

Earnings per share are shown at 4.68p (50.4p) before tax and 2.35p (42.4p) net of tax, and net tangible assets per share are given at 215p.

A final dividend of 3.121p net per 20p share takes the total from £4.145p to a maximum permitted £5.81p. Dividends on 1.71m. shares have been waived.

The year's results of the builders' and plumbers' merchanting and timber importing group have been adjusted for ED19.

• comment

Travis and Arnold was hopeful throughout last year that it might just weather the depressed house-building industry. In the event, the continuing low volume in household building led to a near 25 per cent. fall in the cost of timber and forest products. The resultant "significant" stock loss brought pre-tax profits in the second half down by some 18 per cent. and erased the interim gain. As some recent acquisitions in rent year are higher than for the same period in 1977, Mr. N. J.

Royal London Mutual

AT THE END of last year, the Royal London Mutual Insurance Society had 60 per cent. of its assets in equities and property, reports Mr. T. Cowman, in his chairman's statement delivered at yesterday's annual meeting. This holding reflects the Society's continuing view that the long-term prospects for these types of investment were more favourable than for fixed-interest stocks.

It was the intention to continue to hold a substantial proportion of the funds in equities and property. However, the points of the report called for a certain proportion of fixed-interest stocks to meet the long-term insurance liabilities, and for this reason a substantial proportion of new money was put into gilt-edged stocks.

Mr. Cowman refers to the 1977 new business figures where new annual premiums rose by 8.7 per cent. to £1.51m. in the ordinary branch and by 15.8 per cent. to £4.9m. in the industrial branch. He regards these as representing successful operations by the field staff considering the severe economic condition. Overall premium income improved by 8.9 per cent. to £1.2m. in the ordinary branch and by 10.4 per cent. to £4.4m. in the industrial branch. He expresses concern over the proportion of premium income being absorbed by expenses, but feels confident that the developments recently introduced will in the long-term reduce the unit cost of administering the business.

GRINDLAYS BANK

Results both before and after tax, at Grindlays Bank in the current year, are higher than for the same period in 1977, Mr. N. J.

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SMO

Cadbury Schweppes around the world



8 slip to 83%

REVIEW OF CORPORATION OPERATIONS PRODUCT ANALYSIS

	Sales	Trading Profit
All Sectors	£884m	£59.4m
Confectionery	41%	51%
Drinks	25%	21%
Tea and Foods	29%	25%
Health & Chemical Products	5%	3%

Fry Boo

UNITED KINGDOM REGION

Confectionery

Cadbury assortments, Cadbury and Fry count lines, Cadbury moulded chocolate, Christmas and Easter seasonal lines, Pascal Murray sugar confectionery.

Despite very substantial increases in consumer prices following the rise in the world price of cocoa bean, the chocolate industry has maintained a high level of activity. In 1977, industry volume sales were approximately 3% less than in 1976 but were more than 25% up in value. The Confectionery Division had an excellent year's trading and again made a very substantial contribution to Cadbury Schweppes' profits. This was achieved even though price increases had a greater effect on the moulded chocolate market - where we have a dominating share - than on other market sectors.

Drinks

Schweppes minerals and soft drinks, Rose's Lime Juice, "Crusta", "Zing", "Pepsi-Cola", "7-Up", "Suncrush" and "Kia-Ora".

In spite of a difficult year the Division achieved brand leadership for Schweppes fruit juices, successfully extended "7-Up" to national coverage and increased market shares in the take-home trade for Schweppes and "Pepsi" brands. The investment programme continued to up-date plant and secure maximum efficiency from newer bottling and canning layouts.

Wines & Spirits

"Dubonnet", Andre Simon Wines, Cusenier, Imported Spa Water.

We have continued the development of the Andre Simon range. Schweppes Agencies have a good year and "Dubonnet" continues to make good progress.

Tea and Foods

Typhoo tea and teabags, Cadbury "Bournvita" chocolate biscuits, Cocoa, Drinking Chocolate, "Marvel", "Compliment", "Smash", "Snack Soup", "Soya Choice", Hartley's jams, canned fruit and vegetables, Chivers' jellies and marmalades, Rose's marmalades.

The Division held or improved the share of all its major products.

Typhoo tea is of major importance but following heavy buying in the first half of the year, there was a marked fall-off in orders in the last six months.

"Soya Choice", our textured vegetable protein range achieved sales and market share well ahead of target.

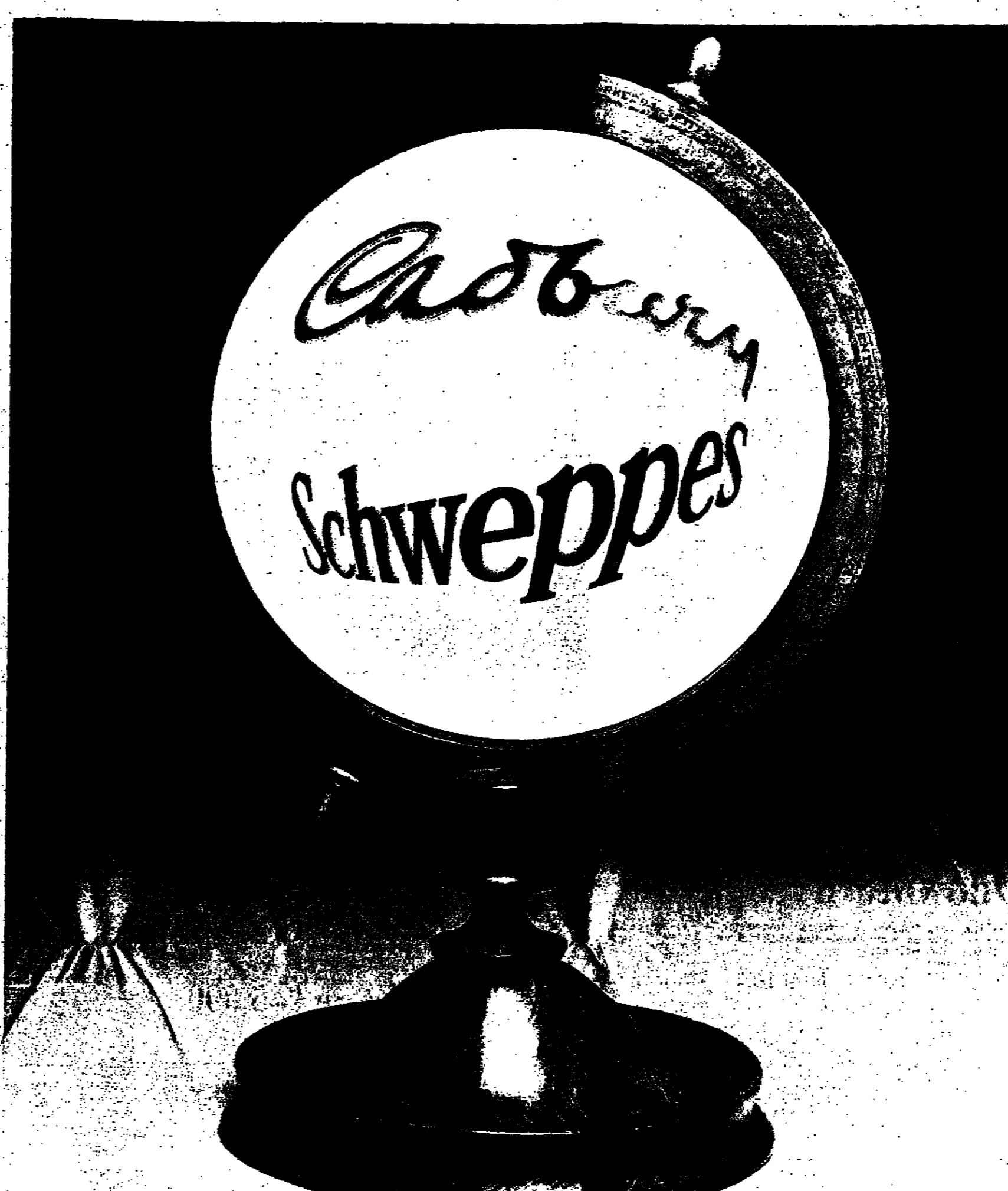
Kenco

"Kenco" coffee.

Prices of raw coffee reached unprecedented levels in the middle of the year. Nevertheless, Kenco had a very successful year's trading.

Health and Chemical Products

Jeyes Fluid and "Babysoft" paper products, "Parazone" bleach, "Sanilav".



Belgium and France The Cadbury business in France continued to expand, with exports from the United Kingdom reaching a record £2.25 million.

Spain Rapid inflation and low summer temperatures combined to make 1977 a difficult trading year. Relative to competitors in the soft drinks market, the Schweppes brand sales held up well.

Italy The policy of concentrating our efforts behind the Schweppes brand has continued and significant gains in market share have been achieved.

Franchises Sales volumes continued to expand. Our operation in Bulgaria is fully meeting expectations and considerable progress has been made in generating interest in other East European countries. The franchise opened in Turkey in late 1976 has shown spectacular growth.

AFRICA

Cadbury Nigeria Ltd. traded well with volume sales approximately 40% up on 1976 with record figures for both sales and profits. A trebling of tonnage capacity to meet demand is envisaged by 1982. Bournvita business more than doubled in the last three years reflecting the enormous popularity of cocoa and malt drinks over the traditional beverages of tea and coffee. During 1977 a 100% Nigerian-owned company was granted the Nigerian franchise for Schweppes. Cadbury Schweppes has the contract to manage the operation and to build the factory which should start production in 1978.

Cadbury Ghana had difficulties in obtaining import licences but in spite of this, performed well with a significant increase in profits in 1977.

Cadbury Schweppes Kenya Ltd. had another record year with soft drinks sales in particular showing above-average growth.

Cadbury Schweppes (Zambia) Ltd. also had a successful year despite continued shortages of raw materials.

In South Africa, the economy continued to be depressed and this, coupled with high cocoa prices, made 1977 a very difficult year for Cadbury Schweppes (South Africa) Ltd. While confectionery profits were below those earned in 1976, the Schweppes franchise operation earned satisfactory profits in its first full year's trading.

ASIA The first major diversification project of Cadbury India Ltd. - Sal Fat manufacture - was commissioned on schedule. This project is entirely export-orientated and fulfills a major requirement of Indian industrial policy.

Cadbury Confectionery Malaysia Ltd. in its first full year of operations traded profitably.

The sales and profits of our confectionery joint venture in Japan in the year ending 31st March were on budget.

Our Schweppes franchise in Hong Kong had a record year both in sales volume and in royalties.

EXPORTS UP 48%

All sectors of our U.K. export business enjoyed another year of good results. Sales, embracing ten major company brands, achieved record levels with revenue in excess of £49 million which was 48% higher than in 1976.

Annual General Meeting

The Annual General Meeting will be held at 12 noon on Thursday, 25th May 1978 at the Connaught Rooms, Great Queen Street, London, WC2.

Copies of the Report and Accounts incorporating the Full Statement by the Chairman and the Review of Operations are available on application to The Secretary, Cadbury Schweppes Limited, 1110 Connaught Place, London W2 2EX, England.

The build-up of our overseas operations continued and 48% of the trading profit came from outside the U.K.

The U.K. Confectionery Division made a substantial contribution to the results and the Canadian business is now trading profitably.

Prices of tea, coffee and cocoa fluctuated considerably in 1977, but all fell back from the high points they reached during the year. Through careful buying, product prices have been held as steady as possible and the peaks of commodity prices averaged out. The Company has every incentive to pass the benefits of its raw material buying on to consumers to win market share and volume sales.

FORWARD LOOK

In spite of all the uncertainties, the Company's aims are clear. We aim to grow by concentrating our marketing and technical effort behind the Company's major brands and we have two main objectives over the next five years. One is to

build on our established position in the North American market. I said last year that we needed to broaden the appeal of Cadbury and Schweppes products to obtain a greater share of what is still the largest and fastest growing single market in the world. The U.S. \$58 million bid for Peter Paul Inc. announced in February 1978 is geared to do this for our confectionery business in North America. The increased marketing investment behind Schweppes has a similar aim.

The other objective is to improve the Company's return on assets in the U.K. This is again based on concentration of effort behind the major lines and firm financial targets have been set over the period between now and 1982.

It is not possible to make a firm forecast of the likely outcome for 1978 but we are budgeting for an increase in profits. The results should be assisted by a rise in consumer expenditure in the U.K., and by more stable raw material prices.

AMERICAN REGION

The American Region came back into profit in 1977 as a result of the expected growth in profits for Schweppes, Rose's and Powell and a reduction in Cadbury losses.

For Schweppes in the U.S.A., sales reached another record. In Canada, Schweppes sales were 43% over 1976. The new drink "Rondo" exceeded targets.

Rose's Lime Juice sales in U.S.A. were 7% ahead of 1976 and Powell's major brands in Canada were well over previous years' levels.

For Cadbury in Canada sales progressed as did market shares, but in the U.S.A. both sales and profits reflected the dullness of the market and our declared commitment to investment in long-term marketing.

AUSTRALIAN REGION

Company sales were 9% above 1976 with net profit before tax at £9.1 million, 24.5% above 1976.

Schweppes sales volume increased by 11% over the previous year; market share was held and gross profit increased by 2.5%. Cadbury showed an upward movement in its market share and increased profit through its new range of "Chunky" chocolate bars which captured phenomenal £6 million turnover between May and December last year.

New Zealand Cadbury Schweppes Hudson Ltd. had a highly satisfactory year.

GEOGRAPHICAL ANALYSIS

	Sales	Trading Profit
United Kingdom	60%	52%
Europe	8%	9%
North America	7%	4%
Australia	12%	16%
Africa	7%	12%
Other	6%	7%

EUROPEAN REGION

Sales of Cadbury Schweppes products in Europe reached £69.5 million, an increase of 5% over 1976. The volume of Schweppes sales continued to expand as a result of the successful development of new markets. Our market shares continued to show consistent growth and trading profits increased to £5.3 million.

Ireland Cadbury Ireland Ltd. had a very successful year, achieving a substantial increase in profits as well as increased home and export sales.

Sweden Despite severe economic difficulties in Sweden, Cadbury Slotts A.B. again achieved record profits. Exports again showed considerable growth and improved profitability.

West Germany and Austria Sales of Schweppes products re-established their growth pattern towards the end of the year and sales of Chivers' jams exported from the U.K. doubled in volume.

The Company signed an agency agreement for the sale and distribution of Domex products from Spain and sales began in September.

During the year, the Cadbury licence agreement with Stork came to an end and plans were put in hand to re-enter the German market with chocolate exported from England.

Lorho representatives asked to resign from 'Suits' Board

By ANDREW TAYLOR

"Two" Rowland and two co-directors of Lorho, whether or not the bid should be referred to the Monopolies Commission is not now expected until next week.

APPROACH TO ST. KITTS

Plans for the voluntary liquidation of St. Kitts (London) Sugar Factory have been placed in "mothballs" following the announcement that the Board has received an approach which might lead to a cash bid being made.

The company is proposing to adjourn (for 21 days) to-day the AGM at which it had proposed to recommend the voluntary winding up of the company. This decision followed the nationalisation of the company's principal asset, St. Kitts (Basse Terre) Sugar Factory in which it had a 50 per cent stake.

Shares of St. Kitts (London) were suspended yesterday at the request of the company.

The potential bidder has said that an offer would be conditional upon to-day's meeting to discuss the voluntary winding up of St. Kitts (Basse Terre) also being adjourned for 21 days.

At the AGMs for both St. Kitts (London) and St. Kitts (Basse Terre) will go ahead to-day as planned.

The attraction for a potential suitor is that St. Kitts (London) currently holds cash of around £250,000 as well as some overseas securities. In addition the company is due to receive compensation from the St. Kitts Government which will total £1m., although the eventual sum for distribution is likely to be considerably less.

HALMA IN FRANCE

Halma has purchased 76 per cent of Serv SARL, a French company specialising in the manufacture and sale of safety

subsidiary, Magnum Investment.

The cash price, in U.S. dollars, will be equal to 90 per cent of the fully diluted net asset value per share, computed at the close of business 21 days after the date the offers are made.

The unaudited value on this date was about \$US44.60 a share on March 31, 1978; the cash price for the debentures is to be on a comparable basis, assuming ex-

change for shares with their existing rights. The shares were recently suspended from quotation at \$US33.

The offers are only to be made provided that Banque Occidentale acting on behalf of G.O. The bank was acting for a number of people who would be disclosed in a document.

Magnum said yesterday it had told that the bid would be

all the shares and all the debentures

decided, since the discount from

£7.5m. of per cent debentures net asset value being offered is substantially less than the dis-

advantage for devices for £40,515 cash. Serv's products are complementary to the safety devices produced by Castell Locks, an existing Halma subsidiary.

The acquisition is intended to strengthen Halma's position in the expanding French market for safety products and provide additional export opportunities for Castell Safety Interlocks. In 1977 sales from Serv amounted to some £77,000.

W. J. REYNOLDS

W. J. Reynolds Holdings would have sought more funds from shareholders if Oakstone had not made an agreed cash offer, says Mr. Roger Marsh, chairman of Reynolds (in the formal offer document). Turner has increased his holding from 50m. to 51m. in the last three years and additional equity would have been required before the next stage of expansion.

The £1.7m. cash offer gives a p/e ratio of 11.17 on 1977 profits but Mr. Marsh said that management accounts for the first two months this year show a significant increase over the comparable period last year.

An one-for-one strip issue is proposed in order to reduce expenses.

ASSOCIATES DEAL

Between April 19 and 24, Grieveson Grant sold 31,019 London shares at 71p and 40,218 at 70p for discretionary clients.

ALLEBONE

Tandem Shoes, the footwear retailing subsidiary of Allebone & Sons has entered into leases on 12 retail shops previously operated by Direct Fashion Shoes (Leeds) and taken assignments of leases on a further nine retail shops previously occupied by the company.

These shops (which in 1977 had a turnover of £11m.) are all in

the same town.

McAuley J. E. Aisher has acquired 40,000 Ordinary shares beneficially and 40,000 non-

beneficially.

Gedong Investments — N. M. Rothschild Asset Management (CI) managers of Old Court Smaller Companies Fund have advised Gedong that Old Court holds 80,750 (9.99 per cent.) shares.

John Menzies (Holdings) — Mr. J. M. Menzies, a director, has now agreed to take an interest in family assets amounting to 40,068 Ordinary shares. Mr. Menzies' interest in Ordinary shares is now as follows, personal 1,653,762 and trustee 1,209,320 making a total of 2,865,082 (17 per cent.).

BET Omnibus Services—London and Manchester Assurance has acquired 2,000 10 per cent. cumulative preference stock units making total 22,600 (11.3 per cent.).

McCreery L'Amie Group—Cruden Investments, a company wholly owned by Mr. A. W. Flemming (director) has acquired a further 25,000 Ordinary shares at 11.5p.

This brings total of Mr. Flemming's beneficial interest to 20,000 shares (1.6 per cent.).

W. H. Cullen—Trustees of the W. H. Cullen Pension Fund have recently increased their holding of Ordinary shares to 170,050 (17 per cent.).

Hampton Gold Mining Areas—W. I. Carr Sons and Company, on April 18, 1978, purchased on behalf of Annies Trading, 470,000 shares (11.20 per cent.).

Wagon Finance Corporation—Friends Provident Life now hold 2,479,166 Ordinary shares.

Jacksons Bourne End—Dawndrake have acquired a further 28,500 shares bringing interest to

285,500 (26.58 per cent.).

See Lex

RIT accepts Magnum Fund offer

A bid for Magnum Fund, an investment company incorporated in Canada and based in Holland, being accepted by Rothschild Investment Trust (RIT), the holder of a 44.1 per cent stake.

The cash price, in U.S. dollars, will be equal to 90 per cent of the fully diluted net asset value per share, computed at the close of business 21 days after the date the offers are made.

The unaudited value on this date was about \$US44.60 a share on March 31, 1978; the cash price for the debentures is to be on a comparable basis, assuming ex-

change for shares with their existing rights. The shares were recently suspended from quotation at \$US33.

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285,500 (26.58 per cent.).

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THE MAJOR U.S. Asarco base metals group remained in the red last quarter with a net loss of \$11.13m. (\$8.1m.), equal to 42 cents per share, following a total net loss of \$29.5m. for 1977. Sales for the past quarter were \$242.8m.

Against low metal prices and production cutbacks, Asarco has been hit in the 1978 first quarter by the U.S. coal strike which lasted from December 1977 to March 27, 1978.

As already reported Bendix, the U.S. technology group with interests in the energy, motor, aerospace and electronic industries

is 54.5 per cent of shares.

The group's ultimate holding

is 54.5 per cent of shares.

Asarco to 16.7 per cent by the purchase of a further 3.8m. shares.

Meeting, Connaught Rooms, for £87.4m. They were £13.4m.

In London yesterday.

See Lex

W.C. on June 9 at noon.

See Lex

INTERNATIONAL FINANCIAL AND COMPANY NEWS

NORTH AMERICAN NEWS

Disposal
boosts
Textron

PROVIDENCE, April 25.
NET income of Textron for the first quarter ended April 1 rose from \$25m. to \$29.8m., or from 15 cents per share to \$1.06. Sales were ahead from \$680.5m. to 727.2m.

Commenting on the higher first quarter earnings, Textron said that this year's first quarter included \$6.4m. or 17 cents a share resulting from the sale of the capital stock of Security Insurance to Orion Capital Co. AP-DJ

Diversey
snubs Molson

By Robert Gibbons

MONTREAL, April 25.
THE AMERICAN specialty chemical producer, Diversey Corporation, has rejected the proposal from Canada's Molson companies to buy any or all of Diversey's outstanding stock if it does not already own at \$US28 a share cash.

Diversey has told Molson that its directors have "unanimously concluded that the proposal is not in the best interest" of its stockholders and has filed suit in Cook County, Illinois, "to assure our stockholders will enjoy the protections afforded by state law."

Molson currently owns about 10 per cent of Diversey's outstanding stock, acquired mainly in the market recently. In Toronto, Molson had no immediate comment.

Upsurge at
Quaker Oats

CHICAGO, April 25.
QUAKER OATS' earnings for the third quarter ended March 31 were up about 35 per cent over the \$15.8m. or 70 cents a share in the year-ago quarter, says Mr. Robert D. Stuart, Jr., chairman and chief executive officer.

Quaker Oats expects a "substantial" increase in fourth quarter earnings and in fiscal 1978 the chairman expects the company will exceed last year's net income of \$67.6m. or \$3.01 a share.

AP-DJ

Leading oil companies
maintain steady advance

BY STEWART FLEMING

MODERATE increases in first quarter earnings have been reported by the majority of leading U.S. oil companies, including Shell Oil which records a near 5 per cent profit advance.

Standard Oil of Indiana's first quarter earnings are 3 per cent higher, Atlantic Richfield's 2.5 per cent higher and Union Oil of California has reported a 3 per cent rise. The biggest increase was reported by Standard Oil of Ohio (Sohio), the British Petroleum affiliate in the U.S., which reported a 56 per cent earnings rise from \$18.7m. to \$38.3m. (75 cents a share) against 48 cents a share.

Sohio's figures are nevertheless disappointing to some

Atlantic Richfield Co. reported Agencies

NEW YORK, April 25.

BETHLEHEM STEEL Corporation reported net earnings for the first quarter of 2 cents a share against a loss of 58 cents in the comparable period.

Total net earnings were \$1.1m. against the \$2.2m. loss last time. Sales of \$1.38bn. compare with \$1.27bn.

Bethlehem said pre-tax income for the first quarter was reduced by an estimated \$50m. as a result of the coal strike, and the harsh winter which affected most of our steel-making operations." But the company said these factors were partially offset by a reduction of approximately \$25m. in the cost of sales due to liquidations of LIFO inventories which is not expected to be replaced by year end.

Gulf Oil Corporation blames a drop in income due to "our exploration and production operations." Gulf's net was down to \$15.5m. (or 78 cents a share) from \$16.6m. (or 85 cents) in the year-ago first quarter. Revenues rose to \$4.88bn. from \$4.85bn.

Going against the trend however, Gulf Oil Corporation blames a drop in income due to "our exploration and production operations." Gulf's net was down to \$15.5m. (or 78 cents a share) from \$16.6m. (or 85 cents) in the year-ago first quarter. Revenues rose to \$4.88bn. from \$4.85bn.

Agencies

Bethlehem
Steel back
in the black

NEW YORK, April 25.

WHITE WELD and Company, Journal report should be seen in the context of the fact that the securities firm owned by White Weld Holdings which was recently acquired by Merrill Lynch whole had been going through a difficult period.

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Agencies

White Weld unit 'in loss position' before takeover

BY DAVID LASCELLES

WHITE WELD and Company, Journal report should be seen in the context of the fact that the securities firm owned by White Weld Holdings which was recently acquired by Merrill Lynch whole had been going through a difficult period.

But unlike many well publicised cases, White Weld was a private company and not therefore obliged to reveal its financial position. At the time of the Wall Street mergers, had begun to make large losses in the months before the takeover, the Wall Street Journal reports to day.

Quoting what it describes as copies of confidential White Weld reports outlining the company's operations over several years, the Journal says the company had a net loss of \$2.1m. in the first quarter of 1978 and a net loss of \$4m. for the last nine months before it was taken over in the second half of last year.

This claim is borne out by the figures quoted by the Journal. During the six months ended December 11, 1977, the company earned \$1.6m., somewhat below its record \$4.8m. earnings in same period the year before.

These earnings were mainly in profit from Crissel Suisse White Weld, its European arm, from Foreign currency translation gains. During the nine months ending on March 31, 1978, gross income fell to \$1.5m. some 9 per cent below the figure for the comparable period a year earlier. This was due to a drop in income from trading and arbitrage, and from agency commission. At the same time the cost of wages and salaries rose 12 per cent, to about \$31m.

IBM to expand capacity

DENVER, April 25.

INTERNATIONAL BUSINESS Machines Corporation is expanding its worldwide manufacturing capacity to meet record product demand, the chairman, Mr. Frank Cary told the annual meeting.

Mr. Cary said IBM currently has the largest order backlog in its history.

In 1978 IBM's manufacturing by Mr. Cary.

EUROBONDS

MacDonald Hamburger plans \$ issue

BY MARY CAMPBELL

PRICES of D-Mark denominated 65 per cent. Italian state-owned bonds tell sharply again yesterday. The dollar sector continued to be pulled in two directions with expectations of an improvement in the currency situation being offset by fears of rising interest rates.

Several new dollar denominated issues are in the offing, including one for MacDonald Hamburger. Two issues have been announced, \$50m. for the Province of Newfoundland and a \$30m. floating rate note for the Polish foreign trade bank, Bank Handlowy.

The issue, for which Banque Nationale de Paris is lead manager, has a final 15-year 7 per cent unit maturity of ten years with individual bonds called in full). The interest is 84 per cent payable annually and the average life two years. Dillon Read International is handling the issue.

The issue is offered in 10,000 denominations on a serial note basis (when 12-year final maturity (average life 9.5 years). Credit Commercial de France is lead manager. The Bank Handlowy is 84 per cent payable annually and the average life two years. Dillon Read International is handling the issue.

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GERMAN NEWS

Volkswagen optimistic for 1978

By GUY HAWTIN

VOLKSWAGEN, bolstered by a full order book, is hoping that this year will equal 1977's excellent performance. But, although the tone of its report is optimistic, it is as yet hard to determine the effect that yesterday's 5.9 per cent. pay increase awarded to its West German labour force will have on 1978's profits.

Last year's net group profits totalled DM419m. (\$201.5m.) which was a hefty decline on 1976's DM1,004m. But, as Herr Toni Schumacker, VW's chief executive, pointed out, the 1976 profits had been boosted by the write-off potential of the previous two years' losses. These amounted to some DM307m. for 1974 and DM157m. for 1975.

Furthermore, West Germany's corporation tax reform has increased the state's bite in corporate earnings throughout the Federal Republic. Shareholders who pay West German taxes will

be considerably better off, however, as they are allowed to offset corporation tax paid on their dividend against personal taxes. The group has gone into 1978 with a bulging order book. Earnings last year benefited considerably from the improvement in capacity utilisation at the group's Plants, said Herr Schumacker.

This year the group's worldwide deliveries to customers in the first three months totalled 556,000 vehicles—some 1 per cent. fewer than in the comparable period of 1977. In West Germany, they were down 5.9 per cent. to 214,900 units. Deliveries in the U.S., where VW's assembly plant has just started up, rose by 4.7 per cent. to 65,500 units, and in Brazil they surged 9.2 per cent. to 108,200 units.

Herr Schumacker said that the decline in deliveries in West and Mexico had shown some improvement, although the Brazilian increase in deliveries had to be viewed against the low level of sales in 1977. In Mexico there had been a noticeable rise in

the first quarter of 1978, VW's share of the domestic car market was, according to the group's own reckoning, about 30 per cent.

The improvement in deliveries in the U.S. market was relatively low compared with the figures for the previous year. Although the group was pleased that the Westmoreland, Pennsylvania, assembly works had come on stream, the group's models on sale in the market would still be affected by the course of the dollar on the foreign exchanges.

The weak state of the dollar meant that price rises in the market would be unavoidable

because Westmoreland was dependent on deliveries from the U.S. where VW's assembly plant has just started up.

Production operations in Brazil mean that price rises in the market would be unavoidable because Westmoreland was dependent on deliveries from West Germany and VW works in the U.S. where VW's assembly plant has just started up.

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The Volkswagen rights issue, which will bring the group's nominal capital up from the current DM900m. to DM1.2bn.—it is being offered at a ratio of one to three and a price of DM150 per DM50 nominal share—would mean that the dividend would have been paid on a greatly increased capital base. Earnings, however, were expected to be sufficient to allow the dividend to be maintained.

West LB sees upturn in credit business

BY OUR OWN CORRESPONDENT

WESTDEUTSCHE Landesbank (West LB), West Germany's third largest bank, is taking an optimistic view of 1978. Dr. Johannes Voelling, the chief executive, said to-day that operating profits should at least exceed those of 1977 and could well overtake them.

The bank, he said, was expecting a distinct improvement in credit business this year. Demand for long-term industrial credit was already considerably stronger than in the opening months of 1977, particularly for construction projects. As a result, interest margins were expected to improve.

Dr. Voelling was at pains to

demonstrate that he was firmly in the driving seat. He succeeded to the chairmanship of the executive board after the departure of Herr Ludwig Poullain, the former chief executive, late last year.

He said that the bank's "structural" overseas growth had been completed with the opening of its Tokyo and Hong Kong operations. This, however, did not mean that it was putting the brakes on its overseas activities.

West LB's foreign business, he said, was an important source of profits. Last year it accounted for some 21 per cent. of the concern's business, yet returned an

"over-proportional" 30 per cent. of West LB's profits.

Dr. Walter Seipp, deputy chief executive and head of the bank's foreign operations, said that in the past the expansion of the bank's overseas business had been rapid because it started at a very low level. It was natural that now it had reached a substantial level that the rate of growth would slow down.

Last year the bank's pretax earnings went up by 6.6 per cent. from 1976's DM284m. to DM305m. (some \$27m. while the group's balance sheet total increased to DM84m., while commission earnings had risen from DM134m. to DM169m.)

At home, restricted demand for credit produced a decline in the bank's short term credit business. However, this had been more than offset by an increase in lending by West LB's overseas operations.

Maltese bank downturn

By Godfrey Grima

VALLETTA, April 25. PRE TAX profit of the Bank of Valletta dropped to just over £1m. from £1.4m. in 1977 "due to the impossibility of realising the exceptional gains made in 1976."

In his annual address to shareholders chairman Dr. Joseph Agius reported that this caused taxed profits of the Maltese bank to drop to £660,000. However, the bank's operational profits—excluding earnings on foreign assets—at £1m. were higher than the 1976 figure of £600,000. Reserves had "again been strengthened."

LEGAL NOTICE

In the HIGH COURT OF JUSTICE (Chancery Division) Companies Court. In the Matters of:

A. B. TIGG LIMITED
No. 001178 of 1978

ARLU (FASHION SPECIALISTS) LIMITED No. 001179 of 1978

KENDRY DEMOLITION CONTRACTORS LIMITED No. 001180 of 1978

MANDEVILLE OF LONDON LIMITED No. 001181 of 1978

PALLAS DRESSES LIMITED No. 001182 of 1978

YANGTSE LINE LTD No. 001184 of 1978

FOR GOODNESS SAKE LIMITED No. 001185 of 1978

DOCTORS FINANCIAL ADVISORS LIMITED

and in the Matter of the Company Notice is HEREBY GIVEN that Petitioners in the above-named Companies by the High Court of Justice were, on the 17th day of April 1978, presented to the same Court by the Company for the recovery of £1,000,000.00 due to them by Kins Beam House, 39-41 Mark Lane, London EC3R 7RE, and that the said Petition is directed to the High Court of Justice at the Royal Courts of Justice, Strand, London WC2A 2LS, on the 13th day of May 1978, and any creditor or assignee in law of the said Companies is directed to appear and oppose the making of an Order on any of the said Petitions as appears at the time of hearing of the Petition or by the Company for the recovery of the sum of £1,000,000.00 due to them by the Petitioners. The Petition will be furnished by the undernamed to any creditor or assignee in law of the said Companies requiring such notice on the date of the Petition or by the date of the filing of the Petition.

G. F. GLOAR,
Rutterman House,
26-41 Mark Lane,
London EC3R 7RE.
Solicitor for the Petitioners.

NOTE.—Any person who sends to appear before the High Court of Justice in the above-named cases or before the Petitioners must serve on or send by post to the name and address of the firm and must be signed by the person or firm, and must be served if any, and must be served if posted, must be sent by post in sufficient time to reach the above named later than the 13th day of May 1978.

Daimler-Fiat link frowned on by Cartel Office

By LESLIE COLITZ

THE FEDERAL Cartel Office views the proposed co-operation between Daimler-Benz and Fiat to produce automatic truck transmissions as "very problematic," according to the agency of the West German Economics Ministry in West Berlin.

The co-operation venture, which has been put forward in a letter of intent is currently under scrutiny by the EEC-cartel authorities in Brussels to see whether it conforms with European Community law.

The Cartel Office says that the

Bank's "structural" overseas growth had been completed with the opening of its Tokyo and Hong Kong operations. This, however, did not mean that it was putting the brakes on its overseas activities.

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VNU expands overseas

By Charles Batchelor

AMSTERDAM, April 25. VNU, the largest Dutch publishing company, will concentrate its expansion plans on countries outside Holland and Belgium where the opportunities for large-scale growth are "limited."

It has established some of its assets in a finance company, VNU Finance, on the Netherlands Antilles so that its liquidity is in the "most appropriate form" to take new initiatives.

The group's cosmetic operations, headed by Christian Dior perfumes, have expanded rapidly. Sales rose last year to Frs.412.9m. from Frs.242.3m., operating profit doubled to Frs.67m. from Frs.33m. and net earnings likewise increased to Frs.45.5m. (some \$5.45m.).

Mr. Dablisten's treatment is a bold statement of financial objectives. The expansion through the purchase of foreign companies, which took place earlier this decade, coupled with the poor profit performance of the last two years, has reduced group solvency to "an unacceptable level."

The group's ratio of equity to debt was 30 per cent. at the end of 1977. It would have been around 25 per cent. without the sale of the holdings in Wilkinson and the Gullsang Power Com. was disposed of.

Two-thirds profit rise from Moet Hennessy

By David White

PARIS, April 25.

CHAMPAGNE, cognac and perfume group Moet-Hennessy increased sales by about 16

per cent. last year and raised consolidated net profit by about two-thirds — from

Fr.40.1m. to Frs.65.6m.

Group sales rose to Frs.1.31bn. and gross operating profits almost doubled to Frs.152.6m.

The parent company, which

is changing its business year

from July-June to January-

December to fit in with the

operating subsidiaries, showed a Frs.8.7m. net profit in the

latter half of 1977. The com-

pany said that because of the

change in accounting dates

this was not comparable with

the Frs.15.6m. earned in the

previous year.

Moet-Hennessy recommends

the same dividend—a gross

Fr.12.60 including tax benefit

for the six months as it

paid for the previous full

financial year.

The results confirm the

return of good times for the

champagne industry, where

Moet-Hennessy leads the field

with its Moet-Chandon and

Mercier brands. Following the

pattern of other "Grandes Marques," the company regis-

tered an increase of over 20

per cent. in its champagne

sales, which brought in

Fr.15.6m. in 1977.

Net profits from champagne

doubled from Frs.13.4m. to

Fr.27.6m., despite a Frs.8.6m.

loss at its Californian opera-

tions, larger than the previous

year's, which the company said

was due to start-up costs.

The Hennessy cognac label

did less well. Although sales

were to Frs.39.6m. from

Fr.37.6m., net profit in this

sector was down to Frs.16.9m. from Frs.19.3m.

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tions, headed by Christian

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was disposed of.

SWEDISH MATCH REVIVAL

BY WILLIAM DULLFORCE, NORDIC CORRESPONDENT

WHEN SWEDISH Match sold its

29 per cent. holding in Wilkinson Match to Allegheny Ludlum last

December, the main effect in

London was to spark off contro-

versy over the future control of

annual

e giant

INTERNATIONAL FINANCIAL AND COMPANY NEWS

JAPANESE CAPITAL MARKETS

Flood of foreign money continues

FOREIGNERS bought a record cut-off date, from the previous amount of Japanese bonds in the high set in February of \$1.233bn.

Net sales of stocks, on the other hand, increased to \$1.123bn, the second year in a row, of net selling by foreigners following sales of \$233.923m. in fiscal 1976.

This brought overall net purchases of Japanese securities to a record \$3.3bn, compared with \$1.52bn a year earlier.

In March, foreigners were net sellers of stocks by \$50.535m., narrowed the net sales in February of \$100.464m.

The World Bank and the Brazilian government plan to issue yen-denominated bonds via Nomura Securities totalling 105bn. (about \$480m.) on the Japanese capital market in July.

The total will comprise Yen. (\$330m.) for the World Bank, \$1.352bn. before the March 16 and 30bn. (\$120m.) for Brazil they said.

For March alone—as expected—net bond purchases by foreigners soared to a record

Y75bn. World Bank bond will be the ninth and largest ever on the Japanese capital market, topping Y50bn. bond last December, they said.

Plans for June include issues by Banque Francaise du Commerce Exterieur for Y30bn., the Industrial Development Bank of Finland for Y20bn., a Y30bn. Mexican issue and one of Y102bn. by the City of Stockholm.

The sources said that other foreign borrowers which may want to float yen bonds in Japan in August or later include Denmark, the Province of Ontario, the French electricity corporation EDF, and Sears Roebuck.

The sources added, however, that Ente Nazionale Per L'Energia Elettrica (ENEL) of Italy has postponed a Y30bn. issue originally planned for June.

Takuji Matsuzawa, newly-

elected president of the Federation of Bankers Associations, called for liberalisation of Japanese capital markets to increase monetary and banking efficiency.

He argues that the Government should base the terms of its national bond issue on market forces by introducing a competitive tender system to replace the present system of allocation largely at pre-fixed prices.

Japanese banks should be allowed to introduce compound interest bank deposits for the public and issue certificates of deposit for corporations and institutional investors who have surplus funds.

Sixty-day Government bonds and CDs would thus become leading forces in liberalising the short-term capital market in Japan, he said.

Agencies

United Bank of India. Downturn

By P. C. Mahan

CALCUTTA, April 25.—A LINE with the trend of commercial banking results, the United Bank of India, a major public sector bank, has announced a fall in published assets to Rs. 9.9m. in 1977 from Rs. 10.2m. in 1976. A rise of Rs. 140.54m. in income was more than offset by increased expenses.

The bank's deposits and advances have made handsome gains, the former rising from Rs. 8.35bn. to Rs. 7.6bn. and the latter from Rs. 4.7bn. to Rs. 5.1bn. This represents an increase of 1.1 per cent in deposits, and 9.6 per cent in advances.

The increased expenditure is largely the result of an uncontrolled branch expansion in rural and semi-urban areas and a substantial increase, of 20.5 per cent, in advances to the priority sectors at interest rates well below standard level. Some 60 per cent of the branches of the bank are in the rural areas, and many of them are of doubtful viability.

According to a review of the general trends in Indian commercial banking activity issued by the chairman and managing director of the United Bank, S. Niyogi, there was a slower growth of bank advances in 1977 because of the policy of credit restraint followed by the authorities. Scheduled commercial bank advances increased by only 5 per cent, compared with 33.3 per cent the previous year. The growth rate in deposits was also lower, falling to 17.7 per cent from one of 28.9 per cent. The total volume of deposits with commercial banks rose to Rs. 207bn., from Rs. 176bn. the previous year.

The outlook for this year is not encouraging, Mr. Niyogi says, because of the lowering of interest rates at the instance of the Government, while costs have been rising steadily.

Cautious view at Union Steel

By Our Own Correspondent

UNION STEEL, the quoted steel producer controlled by Iscom, foresees a continuation of the recessionary conditions in its markets.

Dr. M. D. Morals, the chairman, himself a widely-quoted economist, states that the recession is not as imminent as economists predict. He goes on to say that the economic stalemate will continue and at this stage little remedial action can be effective.

Union Steel is barely profitable at this stage of the recession, managed to produce only 1.1m. t of pre-tax profit on turnover of 1.26m. compared with 1.14m. t of turnover in the previous year.

As a result, capital expenditure programmes have been reviewed and the emphasis shifted to conserving cash flows. Although the group is expected to remain marginally profitable through the current year, in no area of its operations ferrous or non-ferrous demand expected to be buoyant.

FIXED INTEREST STOCKS

A bull market in South Africa

By RICHARD STEWART IN JOHANNESBURG

THE BULL market in South Africa gilts and semi-gilts is continuing unabated. Last week, Escom, the prime semi-gilt cost of trade finance, came to the market for £36m. at an all-in rate of 11.4 per cent, a full percentage point over than the rate ruling nine months ago.

The offer attracted £90m. of underwriting from institutions and over £120m. of subscriptions. Escom is the benchmark from which other public utilities and municipalities fix their rates. The weight of demand from local institutions is forcing the rates, so a concurrence against the long-term Government stock rate of 0.75 per cent, reducing the normal risk spread and putting pressure on the Government to reduce rates.

For an economy which is deep into its fourth year of recession, South Africa's internal interest rates structure is out of line with domestic economic needs. This is because the Government is being forced to follow a policy of high internal interest rates in budgets. This is a seasonal factor

in the weakening demand in the company's worldwide market.

Last year, the company issued specified preference shares to a value of £N25.725m. This was backed up by an overseas loan facility of £USS3m.

Profits increased at a greater rate because of a higher level of purchase of DP equipment as well as efforts by IBM to utilise its resources more efficiently. The directors said that it should

not be expected to remain marginally profitable through the current year, in no area of its operations ferrous or non-ferrous demand expected to be buoyant.

The £N25m. increase in sales was below expectations and re-

sulted in the company's worldwide market.

The company has issued debentures to the public. During the year a £15m. stock dividend was made.

The cash dividend was increased from 60 cents to 62 cents a share on the higher capital resulting in the payment to the U.S. parent jumping from £44.5m. to £49.2m.

The directors said that it should

not be expected to remain marginally profitable through the current year, in no area of its operations ferrous or non-ferrous demand expected to be buoyant.

With the rates in the U.S. firm,

there is little chance of the authorities being able to relax their tight internal interest rate policy.

It is seen as essential that the cost of financing international trade be kept more expensive internally so as to prevent a switching from foreign to local sources. The gap between financing trade in dollars and in Rand is now down to 1 per cent, the lowest margin the Reserve Bank can comfortably live with.

With the rates in the U.S. firm,

there is little chance of the authorities being able to relax their tight internal interest rate policy.

Pressure for it to do this has been strengthened since the beginning of the month by a seasonal rise in Government

interest rates and putting pressure on the Government to reduce rates.

For an economy which is deep

into its fourth year of recession,

South Africa's internal interest rates structure is out of line with domestic economic needs. This is because the Government is being forced to follow a policy of high internal interest rates in budgets. This is a seasonal factor

Government is expected to come out at 10.5 per cent, against 10.75 per cent previously. Escom has seldom been within 0.5 per cent of the Government rate.

Political pressures are the primary reasons for the delicate state of the foreign reserves. The Reserve Bank is now in the situation of seeing domestic trends in short term U.S. interest rates playing a dominant role in determining its own domestic policy.

Left to their own devices, there is no doubt that both short and long term rates would fall quite dramatically.

Meanwhile, with the life assurance and pension funds stocking up on fixed interest issues, often well in excess of statutory requirements, the equity market is being largely neglected.

Although the argument that

the weight of funds available

should ultimately force equities

higher still holds, there is a marked reluctance to adopt a

more aggressive buying strategy.

REPORT TO INVESTORS from a company called TRW

TRW Reports Record 1977 Results. Expects Continued Growth in 1978

TRW Inc, an international supplier of high-technology products and services, reports record sales, earnings and earnings per share for 1977.

Sales reached US. \$3.26 billion, an 11.4% increase compared with US. \$2.93 billion in 1976. Net earnings totaled US. \$154.2 million, 16.7% higher than the US. \$132.2 million (restated) reported in 1976. Fully diluted earnings per share totaled US. \$4.21 versus US. \$3.60 (restated) in 1976 while primary earnings per share were US. \$4.77 compared with US. \$4.02 (restated) last year. These are increases of 16.9% and 18.7% respectively.

Total cash dividends paid to common shareholders in 1977 amounted to US. \$1.55 per share, an increase of 14.8% over the US. \$1.35 per share paid in 1976.

Return on shareholders' investment improved to 17.6% in 1977 from 16.7% in 1976. Return on assets employed increased to 12.9% in 1977 from 11.9% in 1976. The company has among its goals a 20% return on shareholders' equity and a 15% return on assets employed.

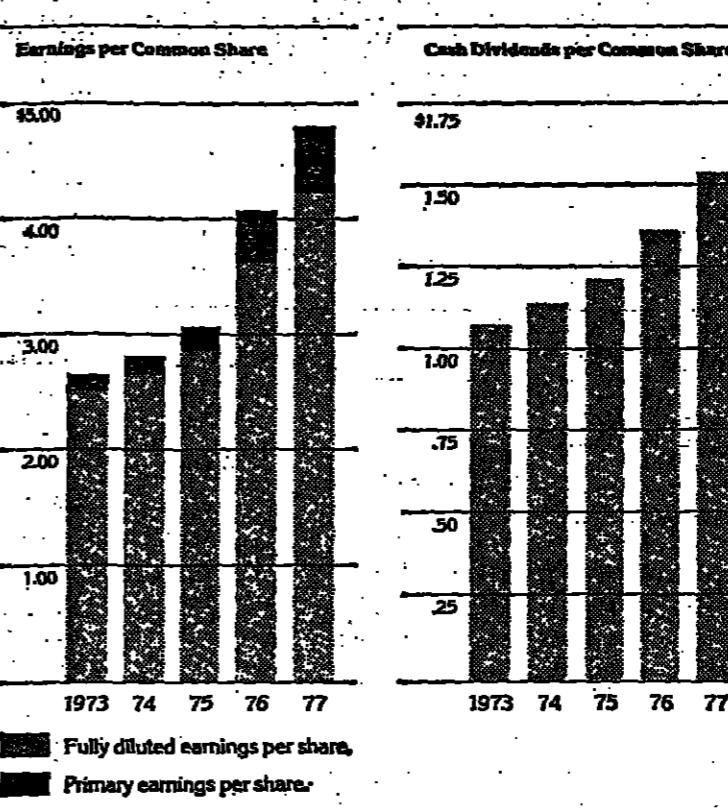
Each of TRW's major business segments—car and truck, electronics and space systems, and industrial and energy—contributed to 1977's record results and are expected to show continued growth in 1978.

If you would like further information on TRW, please write for a copy of our 1977 annual report:

TRW Europe Inc.
25 St James's Street
London SW1A 1HA

A COMPANY CALLED
TRW

FINANCIAL HIGHLIGHTS	
	(U.S. dollar amounts in millions except per share data)
Sales	\$ 3,263.9
Pre-Tax Profit	292.3
Net Earnings	154.2
Earnings Per Share	
Fully Diluted	4.21
Primary	4.77
Dividends Per Common Share	1.55
Outstanding Common Stock	28,180,000
Shares Used in Computing Per Share Amounts	
Fully Diluted	36,689,000
Primary	28,571,000
Restated to reflect adoption of U.S. Financial Accounting Standards Board Statement #13 Accounting for Leases.	



KUALA LUMPUR, April 25.

Tun Tan said that several international banks had shown interest in the project, and had expressed willingness to finance the venture. As it is an agro-based venture in a less developed state, the project could be entitled to an attractive range of incentives, including tax exemption for ten years.

The Birla survey envisaged facilities for the manufacture of 104,000 metric tons of paper a year, including writing and printing paper, coated stock, kraft and wrapping paper, and 10,000 tons of high quality rayon. About 70,000 tons of the paper could be sold in Malaysia, with most of the balance going to other Asian countries. Tun Tan Siew Sin, chairman of Sime Darby Holdings, and former Malaysian Finance Minister.

Confirming that approval of the deal, the Sabah Government wants to hold 30 per cent of the equity. Birla would probably hold between 25 and 30 per cent, while the rest would be held by Malaysian interest including Malay financial institutions.

Due to be completed in two years, the expansion will boost production of rubber goods to 14.5m. kilos a year from the current 9.5m. kilos annually.

The company says its sales in west Malaysia had been particularly gratifying. Its exports to Australia and Iran.

The company says its sales in Singapore were satisfactory, but

sales in east Malaysia were down because of additional duty and sales tax.

As a reflection of the company's confidence in its future prospects, it is paying out a final dividend of 15 per cent, making a total dividend of 25 per cent for 1977, compared with the maiden dividend of 10 per cent in 1976.

MALAYIAN Flour Mills, the biggest flour manufacturer in Malaysia, is making a one-for three scrip issue, after reporting another good year of profits, thanks to the stable prices of wheat and the high domestic prices of flour. Pre-tax profits rose by nearly 37 per cent to 13.2m. Ringgit (\$US5.5m.), although sales fell by 8.3 per cent to 78m. Ringgit.

The company says its sales in the rest of the country were down by 10.5 per cent, against 10.75 per cent previously. Escom has seldom been within 0.5 per cent of the Government rate.

Political pressures are the primary reasons for the delicate state of the foreign reserves. The Reserve Bank is now in the situation of seeing domestic trends in short term U.S. interest rates playing a dominant role in determining its own domestic policy.

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Grindlays Holdings Limited

The Annual General Meeting

FARMING AND RAW MATERIALS

Wrangle over wine holds up farm price talks

By MARGARET VAN HATTEN

THE BIG QUESTION hanging latest proposal that aids to promise, a traditional part of the prices review, is also traditionally rejected. It aims to clarify issues and open the way for the final bout of hard bargaining.

The Danes made no proposals on the overall level of price increases, but specific proposals in other key areas. These include:

Sugarcane: "B" quota for 1978-79 should be set at 25 per cent of the basic quota, but those countries which have already used up their "B" quota (France and Belgium) should be given a supplementary quota to be fixed later. The 1979-80 "B" quota should be fixed at 20 per cent.

Both countries have rejected a compromise proposal by the Danish presidency that the wine price issue should be shelved until September.

While this problem remains, other issues in the prices package have taken second places. Mr. John Silkin, the U.K. Minister, has continued to press the case for retention of Britain's Milk Marketing Board, but the issue does not appear to preoccupy other delegations to the same extent.

At one stage, Mr. Silkin told journalists that he would block approval of the overall package, effectively freezing prices on all EEC farm products, until he had won acceptance of the Board's right to continue permanently.

Other delegations seemed more interested in their own problems, though, and their threats did not appear to have provoked much mild amendment for.

Much of the bilateral discussions appear to have focused on a compromise proposal presented yesterday by the Danes.

The French already resent the so-called Presidential com-

LUXEMBOURG, April 25.

Bid to raise potato price abandoned

By Our Commodities Staff

THE GOVERNMENT has abandoned its attempt to force up the price of potatoes by holding stocks off the market.

The Ministry of Agriculture announced yesterday that the key of releasing potatoes

only in special cases was to be relaxed and that a "more general release on the market should be allowed."

The Government has about 500,000 tonnes of potatoes at its disposal. Farmers are understood to hold a similar tonnage.

The Treasury could face a bill of about £25m. in a market support payment to farmers as a result of the move.

Growers are guaranteed around £45 a tonne for their potatoes, but open market prices have been well below this for most of the past season.

The Potato Marketing Board, which has about £45m. in its special reserve fund, is responsible for paying a third of the support bill.

A Ministry of Agriculture statement commented that, although the move should make more potatoes available, the rate of release on the market would still be controlled.

Beef—the guide price for beef should be increased by 2 per cent instead of 1.25 per cent as proposed by the Commission.

Potatoes: The Council should agree to take an early decision on a potato regime but this would not be included in the new contract.

In such circumstances, the rate of increase for bacon, ham and sausages should be included in the new contract.

As far as the meat market is concerned, the guide price for bacon, ham and sausages should be increased by 2 per cent.

At the same time the minimum guaranteed price for A1 grade bacon has been increased by 40 pence above the average all pigs price.

The National Farmers Union welcomed the new contract as a "step in the right direction."

Moreover, other disappointing harvests may make it necessary for the Government to increase its wheat imports to 4.2m. tonnes, with an outlay of about £500m. and, instead of exporting maize to import perhaps 1.5m. tonnes at a cost of about £130m.

Over the last couple of years the excellent export performance of three crops—coffee, soyas and cacao—has fortuitously pulled Brazil out of a difficult balance of payments position into a relatively comfortable one. Total export earnings from these three products more than doubled, from \$2.5bn. in 1975 to \$5.4bn. in 1977.

As export prospects for all three products are less good this year, the trick will not be repeated. The unexpected increase in agricultural imports will

BRAZILIAN AGRICULTURE

Drought only one of many blights

BY SUE BRANFORD IN SÃO PAULO

BRAZIL'S SERIES of lucky breaks with its agricultural exports has come to an end this year. Unlike the severe frosts in July 1975, which turned out to be a blessing in disguise, thanks to their impact on world coffee prices, this year's drought is an officials' surprisingly, been an unmitigated misfortune.

It has mainly affected crops such as rice, maize, beans and wheat, which are largely or exclusively cultivated for domestic consumption. It has also brought down the soybean harvest from an expected 13m. tonnes to 9m. tonnes, or even less, if the farmers are to be believed.

These reductions will have a serious impact on the country's trade balance. With exports last year of 2.6m. tonnes of beans, 5.3m. tonnes of meal and 502,000 tonnes of oil, the "soya complex" brought in U.S.\$2.1bn.

The Treasury could face a bill of about £25m. in a market support payment to farmers as a result of the move.

Growers are guaranteed around £45 a tonne for their potatoes, but open market prices have been well below this for most of the past season.

Last July, this council gave priority to the fight against inflation and refused to authorise the substantial increase in the minimum prices guaranteed by the Government for basic crops that the CPTI had requested.

Brazil is now faced with the need for fundamental changes in the type of Government support given to the farming sector.

In recent years, the Government has assisted farmers by providing plentiful, cheap loans. Rural loans supplied by the Banco do Brasil increased three-fold from \$6bn. to \$19bn. in 1976. But agricultural output has not grown at the same speed as rural credit.

In 1965, the value of rural loans was equivalent to 10 per cent of agricultural output. By 1976 the proportion had increased to as much as 61 per cent. In other words, credit has not proved the great boost to production that the Government expected.

It is known that many of these so-called rural loans have never actually been invested in farming activities. Sr. Karlos Rischbieter, president of the Banco do Brasil, has christened this form of agricultural moder-

ation "the Prussian way." It is characterised, they say, by a massive injection of funds into small, highly-privileged strata without altering the basic structure.

Many agronomists believe

that the very least the system can do is to include many more farmers in the scheme.

Small measures towards controlling abuses have been taken.

This year the value of rural loans was increased by only 32 per cent to Cr.305.6b. (\$18.1m.). This is less than the going rate of inflation and well below last year's rise of 44 per cent. Loans for soya, maize and rice were suspended for a short period this year and resumed later on tighter terms and with most repayment periods reduced from seven to five months.

Radical

Many observers, however, are calling for much more radical changes. They point out that the present system concentrates assistance at the beginning of the farming process by providing cheap loans for fertilisers and other inputs.

As well as being open to abuse, this system is at present only being used by 11 per cent of farmers, namely all wealth owners of large estates. The mass of small farmers, who cannot satisfy the complicated

official requirements, do not have access to the cheap money.

Agronomists have christened

this form of agricultural moderation.

However, many observers

believe that changes will occur only when General Figueiredo's new administration comes into office next March. If some of the changes recommended in his programme are appointed to ministerial posts, as seems likely, they may be able to implement new measures through important new mechanisms.

Machines and furnaces necessary for the production of high-quality mineral have been stalled in the desert road to Jordan's Sea Port of Aqaba.

Officials said that by mid-year a total of 1.5m. tons will be produced from that area.

Reuter

Coffee producers lift export ban

BY JOHN EDWARDS, COMMODITIES EDITOR

COFFEE PRICES eased yesterday when it was confirmed officially that Central American producers of "other milds" had started exporting again, lifting the recent ban on sales imposed in the hope of forcing market prices higher.

Officially, exports by the group of other mild coffee producers are now supposed to be limited to 30 per cent of stocks held, but there appears to be no mechanism for "policing" the sales.

At the same time prices quoted

are reported to differ widely,

with some countries fixing a minimum selling level while others have not.

On balance prices appear to be below the levels when the group decided to stop selling and it is thought that they may well be forced even lower as exporters scramble to obtain their share of sales.

Demand for coffee is reported to be sluggish, with consumption remaining depressed. Although there has been some recovery, for example, in U.S. roasting to 105 per cent compared with last year, it is pointed out that consumption was very low last year when demand dropped sharply.

JORDAN PLANS PHOSPHATE BOOST

AMMAN, April 24

JORDAN HOPES to quadruple phosphate exports about

by 1980, Phosphate Min-

Company officials said.

The company also hoped to

grade the quality of its phos-

phate.

Machines and furnaces ne-

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year a total of 1.5m. tons will be produced from that area.

Reuter

COTTON OUTPUT UP IN ARGENTINA

BUENOS AIRES, April 24

Argentine raw cotton production will rise to 570,000 tonnes this year, from 522,000 tonnes in 1976-77, according to the Agriculture Department.

The current crop will be 21.3 per cent higher than the average output of the last five years and 43.1 per cent higher than the average for the last ten years.

In such circumstances, the

cotton-growing countries

would be hard-pressed to win a bigger increase for their exports.

In London yesterday morning the daily price for raw sugar was set 21 lower, £103.50 a tonne.

During early trading on the London market prices climbed 43.1 per cent higher than the average for the last ten years.

At the same time prices quoted

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with some countries fixing a minimum selling level while others have not.

PRICE CHANGES

Prices per tonne unless otherwise stated.

U.S. Markets

NEW YORK, April 24

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Reuter

RUBBER

UNCHANGED opening on the London

physical market. Fair interest throughout the day, slow trading, low level.

Prices: U.K. rubber spot 11.50; U.S. rubber spot 11.50; U.S. rubber futures 11.50.

INDIA IMPORT LEVIES—effective today for despatched and non-delivered sugar, in U.S. dollars per 100 kilos, with previous rates:

May 1-31: 10.50; June 1-30: 10.50; July 1-31: 10.50; August 1-31: 10.50; September 1-30: 10.50; October 1-31: 10.50; November 1-30: 10.50; December 1-31: 10.50.

ARABIA—A more active day, with initial trade selling depressing the market somewhat. Dressed burlap reported prices 100 to 150 ducats per kilo, down from 150 to 200 ducats per kilo.

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STOCK EXCHANGE REPORT

Market sentiment unsettled by setback in sterling Share index up 0.3 at 460.7 after 462.5—Falls to $\frac{3}{4}$ in Gilts

Account Dealing Dates

*First Dealing—Last Account Dealings 1st April 28 May 10 May 21 May 12 May 22 May 13 May 25 May 26 JUN 7 *New term dealings may take place from 2nd April to 24th June.

Stock market became unsettled as sentiment became increasingly dominated by currency worries yesterday. Monday's better trend in British Funds gave way to marked dullness following renewed weakness in sterling and some hardening of near rates in money markets. Final quotations in the sector recorded widespread falls ranging to $\frac{1}{2}$, but the reaction over more to the absence of support than to any weight of selling. The Government Securities index closed 0.41 down at a new 1976 low of 7.147.

Leading equities put on a reasonable performance in the light of the poor background although prices tended to ease in the late trade after having held slight gains from the opening. The subsequent deterioration in sentiment was illustrated by the FT All-share Index which recorded a rise of 1.8 at 3 p.m. and closed only 0.3 higher on balance at 460.7. Among the index constituents, British Petroleum, up 16 at 786p, after 780p, on Wall Street influences, was one of the few stocks to hold most of an earlier improvement.

Most of the day's interest in second-line equities centred on bid stocks, both rumoured and actual, while company trading statements prompted the occasional noteworthy movement. The overall trend was again to better levels but the upward movement was less decisive; rises led falls by 2-1 in FT quoted Intermediates compared with a ratio of 3-1 on Monday. The FT Actuaries All-share Index hardened 0.3 per cent further to 260.7.

Reflecting Wall Street influences, Travelers Corporation rose 14 points to 273 and Combined Insurance 11 points to 181. Elsewhere, in Insurances, Royal's moved forward 5 to 367p.

Breweries fluctuated narrowly and closed little changed. Whitbread "A" closed marginally easier at 80p, while Allied, 85p, eased A. Guinness, 178p, shed a penny, while Young, 176p, rose 1/2, rose 5 to 170p in a thin market. Elsewhere, Matthew Clark revived with a gain of 8 to 130p on renewed speculative interest.

Building descriptions closed firmly throughout. The leaders attracted modest demand in light trading and AP Cement firms to 234p. Contracting and Construction issues notable for extending gains after losses included Richard Gough, 81p, and Clowes, 239p, and Tiburon Contractors, 5 up at 238p. Elsewhere, Heywood Williams put on 4 more to 97p on further consideration of the acquisition of the public restaurant and hotel business of International United Corporation, the subsidiary of Hanson Trust. Other firm spots included Econa, 64p, and Nandars, 104p, both 3 to the good in that market. In contrast, Travis and Arnold eased 2 to 139p following the rather disappointing annual results, while Tarmac cheapened a penny to 138p, shed 1/2, and preliminary figures due on Thursday.

In reasonable trade, ICI touched 343p before closing unchanged at 340p. Albright and Wilson and Revertex both rose 3 to 114p and 95p respectively, while Rentokil up 2 to 34p. Fisons eased 3 to 337p in late dealings.

The investment currency market was fairly quiet for much of the day, but the opening strength of Wall Street led to a revival of institutional demand in the afternoon. After having touched 106 per cent, in early dealings, the premium closed at the day's best of 111 per cent, for a rise of 5 to 183p. Elsewhere, publicity given to a broker's bullish circular helped Selcourt put on 13 to 242p, while Ellis and Goldstein improved 3 to 22p on the increased dividend and profits. Freemans added 5 more at 312p and Lee and Cooper, a thin market, appreciated 4 to 132p.

Electricals were generally the main points of interest among the smaller firms. GEC closed 4 better at 242p reflecting the £13m signalling contract awarded by the previous day's rise of 3 which followed the strong profits recovery and the return to the dividend list. Standing a couple of pence better in front of the preliminary results, F.C. Finance eased on the uninspiring outcome to finish unchanged on the day at 78p. The major clearers drifted lower on lack of support with 7 days' 3 cheaper at 349p and Midland a similar amount down at 355p.

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ENGINEERING—Continued

High	Low	Stock	Price	+ or -	Div	Net	Cw	Grs	Ytd	High	Low	Stock	Price	+ or -	Div	Net	Cw	Grs	Ytd	High	Low	Stock	Price	+ or -	Div	Net	Cw	Grs	Ytd		
2912	20%	Ford Motor Co.	22	-	1.32	9.9	6	62	Goldberg A. H. G.	65	-	13.8	14.8	-	1.05	1.05	13.4	2.3	3.8	109	57	Grand Met. Corp.	107	-	14.2	1.25	1.25	1.25	1.25	1.25	
20%	20%	Ford Motor Co.	22	-	1.32	9.9	6	62	Goodman Br. Sp.	10	-	10.75	13.1	3.1	4.1	1.05	1.05	13.4	2.3	3.8	211	75	Kuretake Co.	90	-	100.00	1.25	1.25	1.25	1.25	1.25
41%	41%	Gen Elec. Co.	40	-	1.12	1.12	1.12	114	Grindan Ware	114	-	5.56	7.4	6	6	1.05	1.05	14.8	2.3	3.8	212	115	Ladbrooke Sp.	109	-	11.75	1.25	1.25	1.25	1.25	1.25
22%	22%	Gen Elec. Co.	40	-	1.12	1.12	1.12	114	Grossman Bros.	12	-	1.75	2.1	2.1	2.1	1.05	1.05	14.8	2.3	3.8	213	104	M. Charlotte Co.	104	-	11.75	1.25	1.25	1.25	1.25	1.25
15%	15%	Gillette S.	21	-	1.51	5.0	1.5	120	Grubman Ge. 10p	129	-	2.04	2.4	2.4	2.4	1.05	1.05	14.8	2.3	3.8	214	125	Northrop Corp.	125	-	11.75	1.25	1.25	1.25	1.25	1.25
22%	22%	Gillette S.	21	-	1.51	5.0	1.5	120	Guttmann Bros.	12	-	1.75	2.1	2.1	2.1	1.05	1.05	14.8	2.3	3.8	215	116	North. Corp. F.	105	-	11.75	1.25	1.25	1.25	1.25	1.25
19%	19%	Gillette S.	21	-	1.51	5.0	1.5	120	Haberman Bros.	12	-	1.75	2.1	2.1	2.1	1.05	1.05	14.8	2.3	3.8	216	117	Prince of Wales	105	-	11.75	1.25	1.25	1.25	1.25	1.25
20%	20%	Gillette S.	21	-	1.51	5.0	1.5	120	Hall D. O. D.	22	-	2.04	2.4	2.4	2.4	1.05	1.05	14.8	2.3	3.8	217	118	Hansard Bros.	105	-	11.75	1.25	1.25	1.25	1.25	1.25
20%	20%	Gillette S.	21	-	1.51	5.0	1.5	120	Hanson Bros.	12	-	1.75	2.1	2.1	2.1	1.05	1.05	14.8	2.3	3.8	218	119	Hartford Bros.	105	-	11.75	1.25	1.25	1.25	1.25	1.25
20%	20%	Gillette S.	21	-	1.51	5.0	1.5	120	Hawthorne Bros.	12	-	1.75	2.1	2.1	2.1	1.05	1.05	14.8	2.3	3.8	219	120	Hawthorne Bros.	105	-	11.75	1.25	1.25	1.25	1.25	1.25
20%	20%	Gillette S.	21	-	1.51	5.0	1.5	120	Hawthorne Bros.	12	-	1.75	2.1	2.1	2.1	1.05	1.05	14.8	2.3	3.8	220	121	Hawthorne Bros.	105	-	11.75	1.25	1.25	1.25	1.25	1.25
20%	20%	Gillette S.	21	-	1.51	5.0	1.5	120	Hawthorne Bros.	12	-	1.75	2.1	2.1	2.1	1.05	1.05	14.8	2.3	3.8	221	122	Hawthorne Bros.	105	-	11.75	1.25	1.25	1.25	1.25	1.25
20%	20%	Gillette S.	21	-	1.51	5.0	1.5	120	Hawthorne Bros.	12	-	1.75	2.1	2.1	2.1	1.05	1.05	14.8	2.3	3.8	222	123	Hawthorne Bros.	105	-	11.75	1.25	1.25	1.25	1.25	1.25
20%	20%	Gillette S.	21	-	1.51	5.0	1.5	120	Hawthorne Bros.	12	-	1.75	2.1	2.1	2.1	1.05	1.05	14.8	2.3	3.8	223	124	Hawthorne Bros.	105	-	11.75	1.25	1.25	1.25	1.25	1.25
20%	20%	Gillette S.	21	-	1.51	5.0	1.5	120	Hawthorne Bros.	12	-	1.75	2.1	2.1	2.1	1.05	1.05	14.8	2.3	3.8	224	125	Hawthorne Bros.	105	-	11.75	1.25	1.25	1.25	1.25	1.25
20%	20%	Gillette S.	21	-	1.51	5.0	1.5	120	Hawthorne Bros.	12	-	1.75	2.1	2.1	2.1	1.05	1.05	14.8	2.3	3.8	225	126	Hawthorne Bros.	105	-	11.75	1.25	1.25	1.25	1.25	1.25
20%	20%	Gillette S.	21	-	1.51	5.0	1.5	120	Hawthorne Bros.	12	-	1.75	2.1	2.1	2.1	1.05	1.05	14.8	2.3	3.8	226	127	Hawthorne Bros.	105	-	11.75	1.25	1.25	1.25	1.25	1.25
20%	20%	Gillette S.	21	-	1.51	5.0	1.5	120	Hawthorne Bros.	12	-	1.75	2.1	2.1	2.1	1.05	1.05	14.8	2.3	3.8	227	128	Hawthorne Bros.	105	-	11.75	1.25	1.25	1.25	1.25	1.25
20%	20%	Gillette S.	21	-	1.51	5.0	1.5	120	Hawthorne Bros.	12	-	1.75	2.1	2.1	2.1	1.05	1.05	14.8	2.3	3.8	228	129	Hawthorne Bros.	105	-	11.75	1.25	1.25	1.25	1.25	1.25
20%	20%	Gillette S.	21	-	1.51	5.0	1.5	120	Hawthorne Bros.	12	-	1.75	2.1	2.1	2.1	1.05	1.05	14.8	2.3	3.8	229	130	Hawthorne Bros.	105	-	11.75	1.25	1.25	1.25	1.25	1.25
20%	20%	Gillette S.	21	-	1.51	5.0	1.5	120	Hawthorne Bros.	12	-	1.75	2.1	2.1	2.1	1.05	1.05	14.8	2.3	3.8	230	131	Hawthorne Bros.	105	-	11.75	1.25	1.25	1.25	1.25	1.25
20%	20%	Gillette S.	21	-	1.51	5.0	1.5	120	Hawthorne Bros.	12	-	1.75	2.1	2.1	2.1	1.05	1.05	14.8	2.3	3.8	231	132	Hawthorne Bros.	105	-	11.75	1.25	1.25	1.25	1.25	1.25
20%	20%	Gillette S.	21	-	1.51	5.0	1.5	120	Hawthorne Bros.	12	-	1.75	2.1	2.1	2.1	1.05	1.05	14.8	2.3	3.8	232	133	Hawthorne Bros.	105	-	11.75	1.25	1.25	1.25	1.25	1.25
20%	20%	Gillette S.	21	-	1.51	5.0	1.5	120	Hawthorne Bros.	12	-	1.75	2.1	2.1	2.1	1.05	1.05	14.8	2.3	3.8	233	134	Hawthorne Bros.	105	-	11.75	1.25	1.25	1.25	1.25	1.25
20%	20%	Gillette S.	21	-	1.51	5.0	1.5	120	Hawthorne Bros.	12	-	1.75	2.1	2.1	2.1	1.05	1.05	14.8	2.3	3.8	234	135	Hawthorne Bros.	105	-	11.75	1.25	1.25	1.25	1.25	1.25
20%	20%	Gillette S.	21	-	1.51	5.0	1.5	120	Hawthorne Bros.	12	-	1.75	2.1	2.1	2.1	1.05	1.05	14.8	2.3	3.8											

INDUSTRIALS—Continued

	Stock	Price	No.	Div	Cw	Yld	P/E	High	Low	Stock	Price	No.	Div	Cw	Yld	P/E	High	Low	Stock	Price	No.	Div	Cw	Yld	P/E	
120	Brown C. Int'l.	107	1	2.26	2.26	2.5	7.2	107	106	Saint Albin Cl.	524	-2	20.15	5.2	1	1.1	6.0	6.0	Cedar Inv.	62	1	0.58	2.2	1.6	14.3	2
121	E.C. Int'l. Bsp.	38	12	12.23	2.8	8.8	6.9	93	92	Sainte Anne Cl.	511	1	1.2	2.5	2.5	2.5	1.1	1.1	Ches. Inv. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
122	Brilliantine	12	12	9.18	3.4	5.1	4.3	103	102	Sainte Bar EDR	505	-14	13.42	5.2	1	1.1	1.1	1.1	Ches. Inv. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
123	Levi's	14	14	9.18	3.4	5.1	4.3	103	102	Sainte Industrie	165	1	1.1	2.5	2.5	2.5	1.1	1.1	Martin G.R.P. Int'l.	64	1	1.1	2.5	2.5	2.5	7.7
124	Loddington	10	10	8.2	3.4	5.1	4.3	103	102	Sainte Mar. Sp.	165	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
125	Levi-S-Sch.	42	12	7.65	4.0	5.1	4.3	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
126	Levi-S-Sch. Bsp.	27	27	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
127	Levi-S-Sch. Fash. Bsp.	27	27	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
128	Levi-S-Sch. Fash. Int'l.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
129	Levi-S-Sch. Int'l.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
130	Levi-S-Sch. Int'l. Bsp.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
131	Levi-S-Sch. Int'l. Bsp.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
132	Levi-S-Sch. Int'l. Bsp.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
133	Levi-S-Sch. Int'l. Bsp.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
134	Levi-S-Sch. Int'l. Bsp.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
135	Levi-S-Sch. Int'l. Bsp.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
136	Levi-S-Sch. Int'l. Bsp.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
137	Levi-S-Sch. Int'l. Bsp.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
138	Levi-S-Sch. Int'l. Bsp.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
139	Levi-S-Sch. Int'l. Bsp.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
140	Levi-S-Sch. Int'l. Bsp.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
141	Levi-S-Sch. Int'l. Bsp.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
142	Levi-S-Sch. Int'l. Bsp.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
143	Levi-S-Sch. Int'l. Bsp.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
144	Levi-S-Sch. Int'l. Bsp.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
145	Levi-S-Sch. Int'l. Bsp.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
146	Levi-S-Sch. Int'l. Bsp.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
147	Levi-S-Sch. Int'l. Bsp.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
148	Levi-S-Sch. Int'l. Bsp.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
149	Levi-S-Sch. Int'l. Bsp.	107	107	11.62	2.5	11.7	11.7	103	102	Sainte Paul	127	1	1.1	2.5	2.5	2.5	1.1	1.1	Mars. Mkt. & Fin. Int'l.	123	1	1.1	2.5	2.5	2.5	7.7
150	Levi-S-Sch. Int'l. Bsp.	107	107	11.62	2.5	11.7	11.7	103	102	S																



FINANCIAL TIMES

Wednesday April 26 1978

CUBITE
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Anglo-U.S. talks plan rejected by Rhodesia

BY TONY HAWKINS

RHODESIA's Executive Council said to-night it would not attend all the parties to the agreement, an all-party conference on Rhodesia along the lines suggested by the British and U.S. Governments.

The four-man Executive Council, consisting of Mr. Ian Smith and three black leaders, said: "We do not believe that a conference along the lines suggested would have any more prospect of success than the Geneva Conference of 1976. It appears to us to be doomed to certain failure."

The members of the Executive Council are united in their determination to proceed as rapidly as possible with the full implementation of the March 3 internal agreement.

"They are also united in their resolve not to reopen negotiations on matters which have already been decided as a result of three months of hard negotia-

SALISBURY, April 25.

tion involving concessions by the three-page statement is such rejection made explicit.

It says: "We are satisfied that we have obtained the support of the overwhelming majority of the population for the Salisbury Agreement, and we ask that the British and United States Governments should consider putting this to an early test."

The fact that the executive has issued a far tougher statement than unanimously predicted by political observers here suggests confidence in the success of the internal agreement has increased since the Owen-Vance visit last week, and that the blocks on the Executive Council — Bishop Muzorewa, the Rev. Ndzanang Shole and Chief Chirau — are adopting an increasingly belligerent stance despite the apparent willingness of Mr. Smith to agree to such a meeting.

The wording of the Executive Council statement, while guarded, comes very close indeed to outright rejection, though nowhere

Vorster accepts Namibia plan

BY QUENTIN PEEL

MRS. JOHN VORSTER, the South African Prime Minister, announced his acceptance today of the Western proposals for a constitutional settlement in Namibia (South-West Africa) and installation of a United Nations peacekeeping force there.

This came as the UN General Assembly held a special session likely to condemn the continued South African occupation.

Success for the plan depends on acceptance by the South-West Africa People's Organisation (SWAPO), recognised at the UN as the only authentic liberation movement and by the UN Security Council.

Observers in Windhoek fear that SWAPO may harden its position in response to a simultaneous announcement that nine people have been detained there under the emergency security powers introduced by Judge Marthinus Steyn, the South African Administrator-General, last week.

Since three of these are from the SWAPO executive, the movement's leadership has been effectively broken. A senior executive

JOHANNESBURG, April 25.

member was arrested two weeks ago, and four left the country at that time.

Mr. Vorster announced his reply to Parliament after today's weekly Cabinet meeting, following delivery of secret "clarifications" by the five Western members of the Security Council yesterday.

His decision means South Africa agrees to reduce her military force in Namibia, estimated at 15,000 to 20,000, to 15,000 within three months of a ceasefire in the guerrilla war with SWAPO on the Angolan border.

South Africa has accepted that

the territory be run to the "satisfaction" of a UN special representative until free elections are held for a constituent assembly.

A UN military task force will police the ceasefire and a civilian force "supervise and control" elections.

Mr. Vorster made clear his own understanding of the Western proposals: no troop withdrawal before "complete cessation of hostilities," primary responsibility for maintaining law and

Tribal Homelands. Page 16

CBI warns Healey on tax cut plans

BY MICHAEL CASSELL

A WARNING that the industrial strategy will fail unless the Chancellor amends his proposed tax cuts came from the Confederation of British Industry yesterday.

In one of the opening shots of a campaign by industry leaders to include bigger income tax reductions in the Finance Bill, the CBI yesterday wrote to the Chancellor emphasising that changes in his original plan were "imperative."

Detailed examination of the Finance Bill begins in two weeks' time. Meanwhile, leading industrialists will campaign to persuade MPs to press for larger tax reductions, particularly for skilled workers and managers.

The CBI is joining forces with the British Institute of Management to press its case.

In yesterday's letter to the Chancellor, the CBI said the it has calculated that the total cost of these measures would be about £900m. and that it should be met by economies in public expenditure.

Mr. John Greenborough, the CBI president, told the Chancellor: "If you had been seeking a way to demoralise the skilled workers and managers of British business you could not have found a better way than a Budget which delivered so little for these people."

They had, he added, been led actively wished to discourage people starting up and developing successful small firms and recognition of their importance in industrial performance.

Letraset in £13m. agreed bid for Randall

By James Bartholomew

LETRASET, the transfer printing company, has made a £13m. agreed bid for J. & L. Randall, a toy company. The main purpose is to increase the equity base and borrowing ability before making a further bid.

Letraset is offering 3 of its shares plus 44p for every 4 shares of Randall. The share element has been underwritten in cash at 135p per share.

Yesterday Letraset's shares closed down 14p at 140p putting a value of 120p per share on Randall. The offer has been irrevocably accepted by shareholders owning 51 per cent of Randall.

Mr. Jeremy Allen, finance director of Letraset, said that the takeover was seen as an attractive alternative to a rights issue.

A majority of Randall's assets is easily realisable; they include cash and short-term deposits of £2.4m. as at December 31, 1976, shares worth £1.5m. earlier this month and two properties with a book value of £1m. but now probably worth nearer £4m.

These assets will be sold as the need arises for financing expansion and acquisitions.

The great advantage over a rights issue, said Mr. Allen, is that the new money raised is already soundly invested. This gives Letraset a "breathing space" in which to find the acquisition it has been seeking for some time.

Meanwhile the purchase of Randall will make Letraset a "bigger mouthful to gulp down" for any potential bidder. Shares of Letraset have risen lately on his speculation, although Mr. Allen said that no approaches have been received.

Letraset's profits have risen from £1.9m. to £6.5m. in the last four years, but recently the pace has slowed. It forecasts profits yesterday in excess of £1m. for 1977-78.

Randall also announced its preliminary figures yesterday, disclosing pre-tax profits of £2m. on both turnover of £2.2m. and other income of £1.3m. The trade mark will complement Letraset's small existing consumer products division. Letraset does not intend to expand further in this area.

State oil

IN YESTERDAY'S Financial Times it was wrongly stated that the British National Oil Corporation's total borrowings had exceeded the statutory limit of £600m. In fact, money raised from forward sales of oil has gone towards the repayment of existing Government loans and the statutory limit has not been exceeded.

German current account surplus up to DM3.2bn.

BY JONATHAN CARR

BONN, April 25.

WEST Germany's trade surplus dropped only slightly in the first three months of this year against the same period of 1977 and its surplus on current account increased markedly.

These results come one day

after the country's leading economic institutes estimated that real gross national product growth this year would total only 2.5 per cent, not 3.5 per cent, as the Government had hoped.

Together, the data are likely to be used before July's Western Economic Summit Meeting here by those feeling that the West Germans should do more to reboost their economy and help boost imports.

The January-March trade surplus totalled DM8.7bn. (£2.29bn.) against DM8.9bn. (£2.34bn.) in the same period last year. In March alone, the surplus was DM4.2bn. (£1.1bn.) — the same figure as 12 months before.

The development of West German trade and payments on the basis of the present year on year figures must be made with caution.

Since the start of 1977, the Deutsche mark has risen by 10 per cent, against the weighted average of the currencies of West Germany's 22 leading trading partners.

The Bundesbank has pointed out that the upward movement may lead initially to an increase in the trade surplus in Deutsche mark terms.

But that increase, it is held, conceals a gradual fall in the price competitiveness of West German exports. This will show up in the longer term, either in a loss of market share or in a cut in the profitability of West German exporting concerns.

According to this argument, the underlying conditions for a reduction in the trade surplus already exist. But they are also conditions in which there will be a reduced propensity to invest at home—the reverse of what both the Bonn and foreign governments desire from the relatively high level.

That said, he was sure that, provided there was no "catch," SWAPO would accept the plan.

Mr. Sam Nujoma, the president of SWAPO, who yesterday addressed the General Assembly's special session on Namibia, repeated his assertion that SWAPO would respond to the proposal of the five "in due course" in Washington. Mr. Richard Morse, Assistant Secretary of State for Africa, hailed the decision as an "extraordinarily statesmanlike and constructive step."

• South Africa's acceptance of the plan was described by Dr. David Owen, Foreign Secretary, as "an improvement and an advance." Dr. Owen, at the Socialist International in Helsinki, said he was sure that, provided there was no "catch," SWAPO would accept the plan.

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More stimulus urged for Bonn economy

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE British Government remains unshaken in its belief that the West German administration should take further action to stimulate its economy, following Chancellor Helmut Schmidt's visit to London earlier this week.

It became clear yesterday that the U.K. authorities are still stressing the importance of a German contribution to a concerted international boost to demand.

The British Government continues to regard the instability of the dollar as the prime problem, while specifically not ruling out stabilisation moves within Europe, as suggested by Chancellor Schmidt, if they contributed to that goal.

A majority of Randall's assets is easily realisable; they include cash and short-term deposits of £2.4m. as at December 31, 1976, shares worth £1.5m. earlier this month and two properties with a book value of £1m. but now probably worth nearer £4m.

These assets will be sold as the need arises for financing expansion and acquisitions.

The great advantage over a rights issue, said Mr. Allen, is that the new money raised is already soundly invested. This gives Letraset a "breathing space" in which to find the acquisition it has been seeking for some time.

Meanwhile the purchase of Randall will make Letraset a "bigger mouthful to gulp down" for any potential bidder. Shares of Letraset have risen lately on his speculation, although Mr. Allen said that no approaches have been received.

Letraset's profits have risen from £1.9m. to £6.5m. in the last four years, but recently the pace has slowed. It forecasts profits yesterday in excess of £1m. for 1977-78.

Randall also announced its preliminary figures yesterday, disclosing pre-tax profits of £2m. on both turnover of £2.2m. and other income of £1.3m. The trade mark will complement Letraset's small existing consumer products division. Letraset does not intend to expand further in this area.

This is a gloomy picture, but we see ways in which it is possible to retrieve the position.

First, a clear and firm Government commitment to bring Services' pay fully up-to-date within the time-scale that we indicate is essential.

Second, action should be taken now to recognise the Services' own productivity, in the form of increased workloads stemming from planned and unplanned reductions in manpower.

Third, the introduction of new technology, and the working flexibility of the Services, for example, in carrying out a variety of duties

in civil emergencies in addition to its primary military tasks.

At the very least, this requires an assurance that their pay will not fall further behind during the coming 12 months.

We know that this view is shared by senior officers who provide the management of the armed forces: we believe that it will be shared by the community at large, and we urge the Government to adopt it.

Mr. Fred Milley, Secretary for Defence, defending the Government's decisions, claimed that the Servicemen would not have been better off if they were represented by a trade union.

Christian Tyler, Labour Editor, writes: Some concern was expressed last night in Whitehall that some trade unions might now look for special treatment in the light of the pay award to the armed forces.

This appeared to be confirmed by the immediate reaction of the Electrical and Plumbing Trades Union, which warned the Government that... industrial civil servants would want the same "special consideration."

Mr. Peter Adams, EPTU national officer and chairman of the unions involved, said: "Many industrial civil servants are working side by side with Servicemen doing precisely the same work but receiving even less pay."

Review Body on Armed Forces Pay, Seventh Report, 1978, Command 7177, SC, 76p net.

Details, Page 24.

THE LEX COLUMN

Letraset springs a surprise

Index rose 0.3 to 460.7

BONN, April 25.

Financial markets yesterday presented a depressing but all too familiar picture. Sterling was under persistent pressure, the money markets were nervously indicating a possible rise in Minimum Lending Rate and the gilt-edged market resumed its slide — the FT Government Securities Index reached a new low for the year. But the pattern was much the same last week and, of course, MLR did not in the event go up.

Letraset/Randall

For a Stock Market which had pushed the Letraset share price up from 98p to 160p this year in anticipation of a takeover bid from the likes of Gillette or Reckitt and Colman the news of a bid by Letraset itself for J. and L. Randall was precisely what was not required. The Letraset share price dived to 145p. Speculation apart, however, the deal looks a good one, aimed primarily at bolstering the asset base. For Randall has easily disposable assets, including short term deposits, equities and property, worth £11m. together with a modest toy business.

The Bundesbank has pointed out that the upward movement may lead initially to an increase in the trade surplus in Deutsche mark terms.

But that increase, it is held, conceals a gradual fall in the price competitiveness of West German exports. This will show up in the longer term, either in a loss of market share or in a cut in the profitability of West German exporting concerns.

According to this argument, the underlying conditions for a reduction in the trade surplus already exist. But they are also conditions in which there will be a reduced propensity to invest at home—the reverse of what both the Bonn and foreign governments desire from the relatively high level.

However, the current account figures for 1977 showed only a slight fall on 1976 and now the first quarter figures for this year show an increase. They raise the question whether this surplus may now be stabilising at a what both the Bonn and foreign governments desire from the relatively high level.

According to this argument, the underlying conditions for a reduction in the trade surplus already exist. But they are also conditions in which there will be a reduced propensity to invest at home—the reverse of what both the Bonn and foreign governments desire from the relatively high level.

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Ruling on GKN disclosed

By Andrew Fisher

THE WEST GERMAN Supreme Court's written arguments for its rejection of GKN's bid to control Sachs, West Germany's leading clutch manufacturer, has left GKN, Britain's largest engineering concern, neither surprised nor encouraged," it said yesterday.

The meeting is seen in London as one in a series of opinion-forming occasions leading up to the seven-nation economic summit in Bonn in mid-July.

Unlike earlier talks this year, the interim committee provides an opportunity for a larger number of countries, notably the less developed ones, to express their views.

This plan has been put forward by Dr. Johann Wittenberg, the retiring managing director of the

GKN, he was still reading the judgment" Mr. Barrie Heath, GKN's chairman, said in London. "We haven't found anything yet that has either surprised or encouraged us."

Frustrated in its near-four-year attempt to acquire 75 per cent. control of Sachs, the leading German clutch manufacturer — it already has 25 per cent. — GKN has appealed to the Federal German Economics Minister Count Otto Lambsdorff against the ruling, first announced in February.

"I don't think that any appeal from the Supreme Court has ever been heard by the Minister before. So we're first off," Mr. Heath said.

Effective

The Supreme Court's reasoning was contained in a 37-page judgment not yet published in Germany. Its central argument is that potential competition in the German automotive parts market, already diminished by the dominant position